



ANNUAL REPORT 2003

LAM SOON (THAILAND) PLC.



ANNUAL REPORT 2003 OF LAM SOON (THAILAND) PLC.

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1. General Information

1.1 Company Profile

Name of Company	: Lam Soon (Thailand) Public Company Limited
No. of Registration	: Bor Mor Jor 579
Address	: 947/155 Moo 12 Bangna-Trad Road, Bangna, Bangkok 10260
Tel.	: 02-361 8959/87
Fax. (Management Dept.)	: 02-361 8988/9
Fax. (Sales Dept.)	: 02-361 8994/5
Refinery Address	: 236 Moo 4 Bangpoo Industrial Estate, Sukhumvit Road, Phraeksa Sub-District, Muang District, Samut Prakarn 10280
Tel.	: 02-709 3610/24
Fax.	: 02-324 0640
Crushing Mill Address	: 99/9 Moo 2, Sikao-Kuankun Road, Kalasae Sub- District, Sikao District, Trang 92150
Tel.	: 075-267 275, 075-267 268
Fax.	: 075-267 265
Nature of Business	: Manufacturer and distributor of vegetable oil products, shortening, margarine, and stain- removing cream Distributor of pure fish sauce under Jade ('YOK') Brand

Registered Share Capital : Baht 820,000,000
Outstanding shares (common shares): 82,000,000 shares
Par value : Baht 10

1.2 Investment in other companies of more than 10% holdings

Name of Company	: United Palm Oil Industry Public Company Limited
Address	: 947/155 Floor 1, Moo 12 Bangna-Trad Road, Bangna, Bangkok 10260
Tel.	: 02-744 1046/8
Fax	: 02-744 1049
Factory Address	: 98 Moo 6, Nuaklong-Khao Phanom Road, Huayyoong Sub-District, Nuaklong District, Krabi 81130

Tel. : 075-621 919
Fax. : 075-621 185

Nature of Business : A plantation company that produces crude palm oil from its own source of fresh fruit bunches and from outgrowers. Other minor products are palm kernel oil and palm kernel cake, being a by-product from palm kernel oil production process and used for feed mill industry.

Registered Share Capital : Baht 324,050,000

Outstanding shares (common shares): 32,405,000 shares

Shareholding (common shares) : 21,482,511 shares or 66.29%

1.3 Other references

1.3.1 Register

Name : Thailand Securities Depository Co., Ltd.
Address : 62 Ratchadapisek Road, Klongtoey, Klongtoey, Bangkok 10110
Tel : 02-359 1200/01
Fax. : 02-359 1259

1.3.2 Auditor

Name : Mr.Ruth Chaowanagawi
Certified Public Accountant No. 3247
Address : Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110
G.P.O. Box 1047, Bangkok 10501
Tel : 02-264 0777, 02-661 9190
Fax : 02-264 0789/90, 02-661 9192

1.3.3 Law Consultant

Name : Baker & McKenzie Company Limited
Address : 25/F, Abdulrahim Place, 990 Rama IV Road,
Bangkok 10500
Tel : 02-636 2000
Fax : 02-636 2111

2. Message from The Chairman

Your Company has been expanding its business every year and is committed to proceed forward. In 2003, your Company became a major shareholder of United Palm Oil Industry Plc. (UPOIC). Through the introduction of management control and modern information technology, the two companies will be able to perfectly match their strengths and optimize their collective potential for growth.

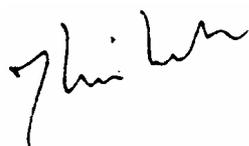
Using the Balanced Scorecard System, your Company attaches importance to 4 aspects namely: training and development, organization efficiency, customer service and financial status. In the past year, management and staff were sent to training courses and seminars. Emphasis is also placed on improving organizational efficiency. The 2-time survey result last year showed that there was an increase in customer satisfaction towards the Company's product and service. This has been reflected in an increase of sales of the Company, as presented by financial statements.

The environment is another priority of your Company. It sponsored the Environmental Health Division of the Bangkok Metropolitan Authority in organizing training on public health for restaurant owners in the Bangkok area. In the meantime, your Company is gearing toward ISO 14001 (the standard system of environmental management) and is expected to get certification in 2004.

These effort reflect the dedication of the Company in promoting what is best for its stakeholders, i.e. shareholders and customers.

As the Chairman of LST, I wish to thank everybody, without whom the Company would not have been prosperous as it is today.

Last but not least, I would like to convey my congratulations to Khun Somchai Chongsawadchai, who was appointed Managing Director on 26 Feb 2004. The Board of Directors expresses its appreciation for his contribution to your Company's growth and look forward to further years of valuable service from Khun Somchai.



Mr. Mechai Viravaidya
Chairman

3. Message from Director and General Manager

In 2003, the world palm oil industry expanded both in production and consumption. Your Company has embarked on vertical integration by increasing its investment in United Palm Oil Industry Plc. (UPOIC), whose oil palm plantation is the largest in Thailand.

On 28 May 2003, the Company acquired more shares in UPOIC, resulting in an increase of shareholding from 24% to 66 %. Accordingly, UPOIC changed its status from an associated company to a subsidiary. This provided an advantage in raw materials procurement. SAP information technology was introduced to link the two companies for more efficient exchange of information on production and market situation. These measures will increase your Company's competitiveness in the potential industry.

In 2003, the Company performed well as showed in 3,341 million Baht sales, 26.87 % higher than 2002. The increase in sale volume was 6.57%. The average selling price increased 20.31%, and the Company made 401.20 million Baht in gross profit, 8.23% higher than 2002.

In order to improve production efficiency as well as product quality, your company is committing an investment of 73 million Baht to expand production capacity and automate its shortening and margarine plants. Approval has already been obtained from the Board of Investment (BOI) for investment privilege as provisioned in the Investment Promotion Act.

The Company introduced new package design for its 1 kg shortening and margarine products "ZestGold", "Zest", "Yok", "Golden Leaf". Sale promotion was also successfully organized. Bakery seminar was another activity with good customer response. The Company donated 2 million Baht in cash and kind to community development project, in accordance with your Company's philosophy of being an active corporate citizen.

Your Company attaches importance to research and development. The research were done by the Company itself and by expert outsourcing in order to produce reliable data, in-depth understanding and with a view to providing best product and service. This is an essential element in formulating an appropriate strategy. Moreover, the Company is taking steps to get ISO 14001 approval which is expected to be certified by the middle of 2004.

Everybody may recall the advertisement tune " crystallized golden Yok, the essence of deliciousness....", which later becomes catchy words "attach Yok in the kitchen to attract everyone..." and "Yok Hi A Full of Vitamin A".

With commitment to society and customers' satisfaction, the Company has added value to its products in order to provide the highest quality products to the market.

On behalf of the Company, I wish to thank customers, shareholders, the Board of Directors for their trust in the Company, and to staff for their dedication.

A handwritten signature in black ink, appearing to read 'A. Gomila'.

Mr. Somchai Chongsawadchai
Director and General Manager

4. Report of the Audit Committee

In 2003, the Audit Committee performed its tasks within the scope of responsibility, as according to the Stock Exchange of Thailand' s regulations. The Committee held four meetings accordingly which can be summarized as follows:

1. to review the quarterly and the annual financial statements to be proposed to the Board of Directors for approval. Finding was that the financial statements had been presented in accordance with the generally accepted accounting principles and that disclosures were adequate and accurate;
2. to examine the audit report of the internal audit division which performed internal audit as set out in the annual audit plan. One conclusion reached was that the Company had an appropriately effective internal control systems, with transparent corporate governance and without material misstatements;
3. to have meetings with the management, external and internal auditors in order to submit useful managerial suggestions and guidelines to the management. The management had adopted these suggestions to improve working efficiency;
4. to propose to the Board of Directors, which would seek approval from the annual general meeting of shareholders to appoint Ernst & Young Office Limited to be the statutory auditor of the Company for 2003.

The Committee examined the Company' s business performances in 2003 and reached a conclusion that the Board of Directors and the management were committed to lead the Company to achieve its goals. They attach significance to the good internal control systems, appropriate risk management, reliable information technology and effective corporate governance.



Mr. Songkram Grachangnetara
Chairman of the Audit Committee

5. Report on the Implementation of 15 Good Corporate Governance Principles

1. Policy on Corporate Governance

The Board of Directors is confident that corporate governance of the Company is vital to business success that shall yield maximum benefit to shareholders. The Board then has formulated the good corporate governance policy and practice by placing emphasis on internal control system, respect in rights and equitable treatment of shareholders, transparency in management, policy making and information sharing, which disclose the report on good corporate governance in the Annual Report and the Annual Registration Statement (Form 56-1). Nevertheless, this policy is under transformation into writing, which will be finished and proposed to the Board of Directors for approval within 2004.

2. Shareholders: Rights and Equitable Treatment

In 2003, the Company organized 2 meetings of shareholders; one was the annual general meeting and the other was an extraordinary meeting. These meetings were held at the Company and the Company dispatched invitation letters and information with regard to agenda's meeting to shareholders more than 7 working days in advance, with attachment of the Board's opinion on each agenda item and the record of the meeting. This enabled shareholders' s perusal.

The proxy form was also sent to shareholders so that when they were unable to attend the meeting, they could authorize one independent director as appointed by the Company, to be their proxy to attend the meeting on their behalf.

3. Various Groups of Stakeholders

The Company shall attach importance to the rights of various groups of stakeholders, not only internal groups such as employees but also stakeholders from outside such as debtors, trading partners, and customers. The Company shall treat all employees equally and provide them with appropriate benefits. In buying goods and services from trading partners, the Company shall abide by the trading conditions and contracts; keep confidential customers' dealings; provide them with customers' ombudsman. The Company shall abide by relevant laws and regulations to ensure that the rights of stakeholder are appropriately protected.

4. Shareholders' Meeting

At shareholders' meeting, the Chairman opened the floor to shareholders in posing questions and exchanging views and suggestions concerning the administration and achievement of the Company's operation as set out in the agenda of the meeting. Besides, shareholders were allowed to propose other agendas to the meeting.

5. Leadership and Vision

The Board of Directors has formulated and approved the Company's vision, objectives, business planning and budget proposed by the management. They constantly supervised the outcome of the administration of the management so as to be assured that business of the Company was in compliance with the set objectives and plans.

6. Conflict of Interests

The Board of Directors establishes a policy and supervision of the use of internal information by not allowing the management and relevant personnel to use the Company's information for personal interest or to disclose them to persons outside the Company. The management is required to inform the Office of the Securities and the Exchange Commission of the report of changes in securities holdings as specified in the Article 59 of the Securities and Exchange Act B.E. 2535 and to send copies of the said report to the Company. Every member of the Board has to notify the Board of Directors of their securities holdings reports in every quarter. Besides, for connected transactions, the Company already disclosed details, value, contract partners and reasons in the Annual Report and the Form 56-1.

7. Business Ethics

The Company shall regard business ethics of the management and employees as vital to business success in the long term. The introduction of ISO 9001:2000, which relates to the standard of production and service and of HACCP system, the international food safety standard, is to ensure the confidence of customers of the standard of products and services of the Company. Every employee implements and constantly develops these systems for maintenance of standards and improving working system to the full efficiency and to an acceptable standard. However, the business ethics of the Company is in a process of being put into writing. The Company will inform the Board's members, the management and employees, of this practice including the follow-up process within 2004.

8. Balance of Power in the Board of Directors

The Board of Directors has 9 members including 5 executive directors and 4 independent directors so as to provide a balance of power and appropriate management review.

9. Aggregation or Segregation of Positions

The Chairman of the Board is an independent and non-executive director. This aims to segregate responsibilities from the executive directors of the Company.

10. Remuneration of Directors and the Management

Remuneration of members of the Board is determined on the basis of their responsibilities. The remuneration, which is approved by the shareholders' meeting, is on par with other industries and is sufficient to keep qualified members in the Board. Directors who are also assigned to be members of audit committee shall receive extra remuneration.

The Chairman of the Board himself considers remuneration of the executive directors.

11. Board of Directors' The Meetings

The Board of Directors shall hold one regular meeting in every three months. A special session of the meeting can be convened when the Chairman deems it necessary. In the meeting, the agenda shall be set in advance with sufficient relevant document. Such agenda shall be dispatched to the Board at least 7 days prior to the meeting date to give sufficient time for the Board's perusal. The minutes of meeting shall be done in writing, and to be kept for later consideration by the Board's members and concerned people, after receiving approval from the meeting.

In 2003, the Board of Directors held 4 regular meetings and 4 special meetings as shown below:

Name	Tenure in Office	Attendance / Total Meetings		
		Regular	Special	Total
1.Mr. Mechai Viravaidya	2001-2004	4/4	4/4	8/8
2.Mr. Whang Tar Liang	2001-2004	2/4	0/4	2/8
3.Mr. Songkram Grachangnetara	2003-2006	4/4	4/4	8/8
4.Mrs. Sumarn Changsiricharoen	2002-2005	4/4	4/4	8/8
5. Mr. Tanatat Puttasuwan	2001-2004	2/4	3/4	5/8
6.Mr. Whang Shang Ying	2003-2006	3/4	2/4	5/8
7.Mr. Somchai Chongsawadchai	2002-2005	4/4	4/4	8/8
8.Mr. Ampol Simarojana	2002-2005	3/4	3/4	6/8
9.Ms. Anchalee Suebchantasiri	2003-2006	4/4	4/4	8/8

12. Committees

The Board appoints an audit committee consisting of 3 independent Board members. The committee has its regular meeting at least once in every quarter. In 2003, the committee held 4 meetings. The committee is responsible for review of the Company's financial report, review of sufficiency of internal control systems

and risk management system, compliance with laws and regulations, proposal for appointment and remuneration of statutory auditors. The committee also coordinates with internal audit division of the Company in relation to audit objectives and plans. The Committee considers the disclosure of information when there are connected transactions or conflict of interest items in order to rectify them.

The Company has no remuneration committee or nomination committee on recruitment. Such responsibilities now lie under the Board of Directors. However, the Company has a preliminary process to consider appropriate remuneration which has to be approved by the shareholders' meeting.

13. Controlling System and Internal Audit

The Company shall attach importance to internal control system at the management level and the operation level in order to ensure that the property of the Company is used to the maximum interest. There is a segregation of responsibilities among employees, checkers and supervisors so as to have appropriate balance and cross-check system. The financial report has to be submitted to the management according to the line of responsibility.

The Company has internal audit division to monitor and to ensure that the operation and financial activities of the Company are in compliance with established system and done with efficiency. This division shall also oversee whether the business operation complies with relevant laws and regulations. The internal audit division shall perform its tasks independently and report the findings to the Audit Committee within the set timeframe.

The Company has a risk management policy as a part of management policy in order to assist the Company attain its objectives, aims and strategies. The management and all employees are risk owners and have to analyze risks in every section and process, assess efficiency of existing control measures and suggest plan and way to minimize risks.

14. Directors' Reporting

The Board of Directors shall be responsible for the Company's financial statements and the financial information as stated in the Annual Report. Such financial statements are prepared in accordance with generally accepted accounting principles in Thailand, with careful consideration and best estimates. Accounting policies are appropriate and consistently adopted and substantial information are sufficiently disclosed in notes to financial statements.

The Board appoints an audit committee to be responsible for the quality of the financial report and internal control systems. Audit Committee's opinion about these findings is stated in Audit Committee's report which is already shown in the Annual Report.

15. Relations with Stakeholders

The Board of Directors shall attach significance to the disclosure of financial and general information, which is accurate, adequate, comprehensive and transparent, to shareholders and concerned people. This shall be done through the channels of the Stock Exchange of Thailand. The Company has not established an investor relation section because there are few activities in this area. The Financial Manager and the Assistant Managing Director are assigned to communicate with individuals and institutional investors, shareholders, analysts and authorities concerned. Investors shall request the Company for information by phone at 02-361 8959/87 or fax at 02-361 8989.

6. Financial Highlights

6.1 Financial figures

(Unit: Million Baht)

	2003 ⁽¹⁾	2002	2001
Total Assets	2,245	1,519	1,446
Total Liabilities	734	326	252
Shareholders' Equity	1,511	1,194	1,195
Sales	3,489	2,634	2,442
Total Revenues	3,528	2,655	2,458
Gross Profit	534	371	339
Net Profit	217	126	132

6.2 Financial ratios

	2003 ⁽¹⁾	2002	2001
Net Profit Margin (%)	6.15 %	4.75 %	5.38 %
Return on Equity (%)	17.85 % ⁽²⁾	10.53 %	10.96 %
Return on Total Assets(%)	12.47 % ⁽²⁾	8.48 %	9.21 %

6.3 Per share data

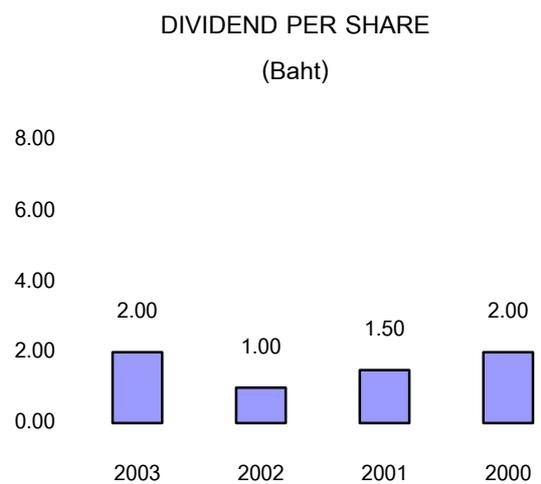
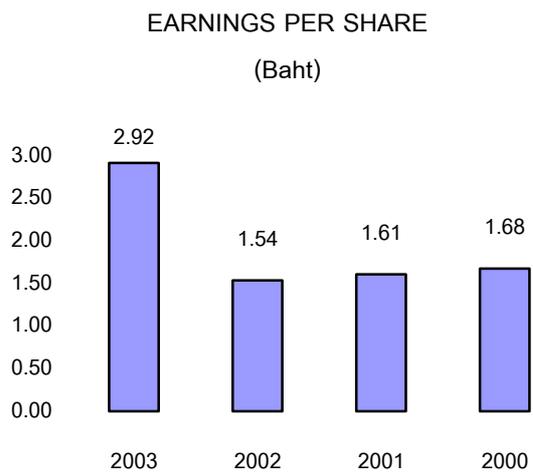
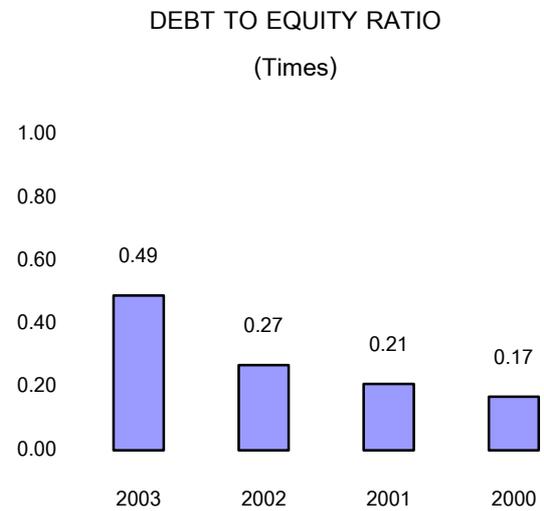
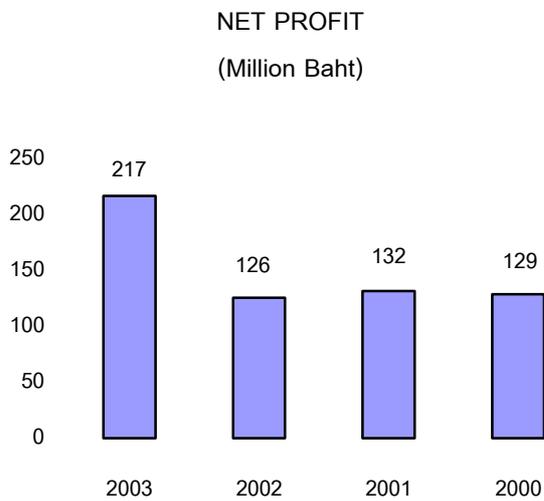
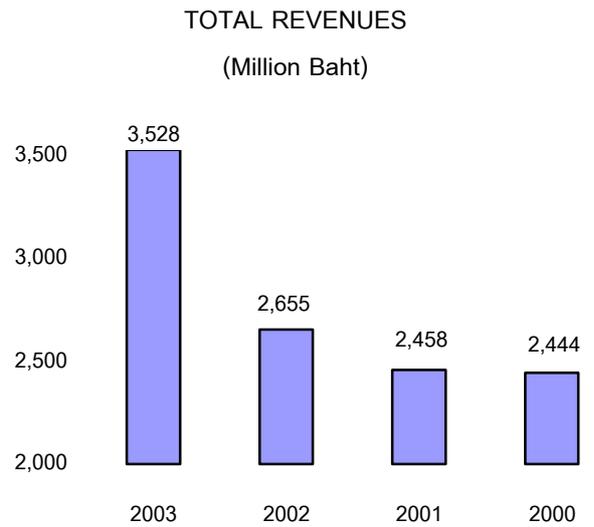
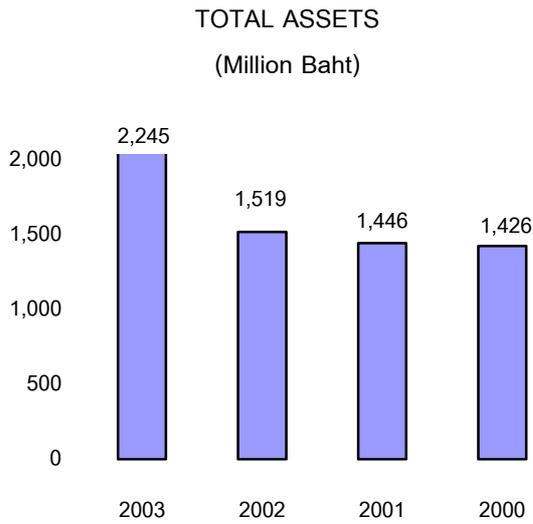
	2003 ⁽¹⁾	2002	2001
Earnings Per Share	2.92 Baht ⁽³⁾	1.54 Baht ⁽³⁾	1.61 Baht
Dividend Paid Per Share	2.00 Baht	0.50 Baht	2.00 Baht
Dividend Per Share (operation year)	2.00 Baht ⁽⁴⁾	1.00 Baht	1.50 Baht
Book Value Per Share	20.37 Baht ⁽³⁾	14.61 Baht ⁽³⁾	14.57 Baht

Note : ⁽¹⁾ The consolidated statements for 2003

⁽²⁾ The profitability ratios based on the Company only.

⁽³⁾ Determined by weighted average number of shares repurchased during the year.

⁽⁴⁾ According to the resolution of BOD meeting on 26/2/04, being proposed to AGM no. 1/2004.



Note : The consolidated statements for 2003

7. Nature of Business

Lam Soon (Thailand) Public Company Limited operates a crushing mill and a palm oil refinery. Its refining capacity at 700 tonnes per day or 255,500 tonnes per year is considered the highest in Thailand. Besides, the Company distributes and exports pure fish sauce under Jade ('YOK') Brand. Presently, the product line includes:

1. Palm Oil
 - 1.1 RBD Palm Oil
 - 1.2 RBD Palm Olein/Cooking Oil
 - 1.3 RBD Palm Stearin
 - 1.4 Hydrogenated Fat
 - 1.5 Palm Fatty Acid
 - 1.6 RBD Palm Kernel Oil
2. Coconut Oil
3. Soybean Oil
4. Sunflower Seed Oil
5. Corn Oil
6. Shortening
7. Margarine
8. Stain-Removing Cream
9. Pure Fish Sauce

7.1 Income structure

Product/Services	Operated by	2003		2002		2001	
		Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
Crude Palm Oil	Subsidiary*	520	87.03				
Crude Palm Kernel Oil	Subsidiary*	43	7.26				
Palm Kernel Seed	Subsidiary*	5	0.86				
Palm Kernel Cake	Subsidiary*	9	1.55				
Others	Subsidiary*	20	3.30				
Total Sales		597	100.00				
Domestic Sales :							
Vegetable oil	LST	2,733	81.65	1,999	75.66	1,982	80.86
Margarine & Shortening	LST	381	11.39	319	12.07	270	11.02
Other	LST	17	0.51	19	0.72	27	1.10
Total Domestic Sales		3,131	93.55	2,337	88.46	2,279	92.98
Export Sale :							
Vegetable oil	LST	212	6.33	301	11.40	171	6.98
Margarine & Shortening	LST	-	-	0.50	0.02	0.2	0.01
Other	LST	4	0.12	3	0.11	1	0.04
Total Export Sales		216	6.45	305	11.54	172	7.02
Total Sales		3,347	100.00	2,642	100.00	2,451	100.00
<u>Less Goods Returned and Trade Discount</u>	LST	6		8		9	
Total Sales - Net		3,341		2,634		2,442	
Other Income		12		13		15	
Share of Profit from Investment in an associated company/subsidiary		65		8		21	

Note : * On May 28, 2003, LST increased its investment in United Palm Oil Industry Plc. from 24% to 66%, resulting the above company becoming a subsidiary.

7.2 Changes of last year

-- see Message from Director and General Manager --

8. Risk Factors

1. Free Trade Under AFTA

Owing to trade liberalization of palm oil under AFTA, Thailand has lowered its import tax for palm oil (crude palm oil and refined palm oil) to 5% since January 2003, with no import quota. As at present, however, the Government has not yet laid down any import regulations. Should there be free import of palm oil, it would affect small growers with low production per rai and crushing mills with low production efficiency and high production cost. The Company will inevitably be affected by importation of refined palm oil competing with its domestic products. Nonetheless, the Company has prepared to respond to this situation by importing crude palm oil (CPO) at prices relatively close to the world market prices. By so doing, the Company will be able to utilize higher production capacity and at the same time lower its average production cost.

2. Fluctuation of Palm Oil Price

The volume of fresh fruit bunch (FFB) and CPO supplied to the market in 2003 was 29% and 35% higher than in 2002 respectively. The price of CPO did not change much from 2002 because in 2003 the average world market price was higher than 2002. In the second and third quarters, 86,000 tons of CPO was exported in order to reduce domestic over supply. As a result, domestic palm oil price, which should have been reduced given the over supply, was able to remain at the same level as in 2002. These factors made the forecast of palm oil price highly uncertain. Cautious stock management of raw materials and finished products became crucial. The management has to forecast the price and volume of CPO for the Company's requirements, including an appropriate amount to be reserved as inventories for later use in the production process. If the Company were to stock CPO purchased at a high price, it would generate a loss because the Company would find it difficult to adjust a selling price of refined palm oil to compete with competitors. However, the Company has executed measures to monitor the quantity of domestic FFB entering the market in every season and to keep abreast of the world market situation, not only of the palm oil market but also of other vegetable oils.

9. Palm Oil Industry and Competition

9.1 Overview

Productive Planted Areas It is estimated that in 2003, there are approximately 2 million rais of oil palm planted areas, of which 1.6 million rais are productive planted areas, representing continuous average growth of 5-10% annually.

Products/Production Per Rai In 2003, FFB production increased 29% from 2002 to 4.86 million tons. In the second quarter of 2003, CPO production reached an average of 600,000 tons per month. This resulted in 863,837 tons of whole year CPO production, a 35% increase from 2002 with 114,953 tons of CPO stocks at the end of 2003 (figures from the Department of Internal Trade). These figures showed that the oil extraction rate in 2003 for the Kingdom was on average as high as 17.8% compared to 2002 which was at 17%. This clearly reflected an improvement of production efficiency of palm oil industry in Thailand.

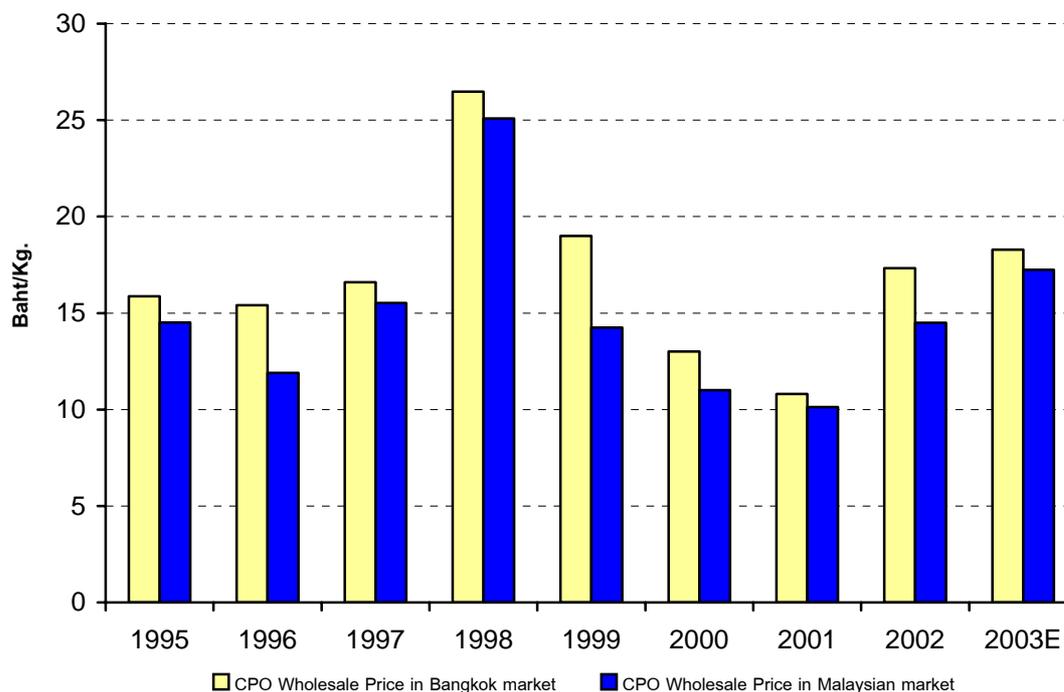
Market Situation and Prices In 2003, the average CPO price in the world market was higher than in 2002. In August, the CPO price in the Malaysian future market reached its lowest of the year at 1,250 RM per ton, from which it later recovered to reach a peak at 1,933 RM per ton in October. The average CPO price of 2003 was 1,505 RM per ton, compared to 1,260 RM per ton in 2002, an increase of 19%.

Even though the CPO price in the world market in 2003 was higher than in 2002, the domestic price situation of CPO was not changed much from 2002. This was the case even in the last quarter of the year when CPO price would normally increase due to shortage of FFB. In 2003, stocks of CPO stood at an average of more than 100,000 tons per month leading to over supply in the industry, and mitigating any price increase.

In 2003, the domestic price of FFB fluctuated between 1.96 – 4.03 Baht per kilogram and the price of CPO between 15.51-25.10 Baht per kilogram (figures from the Department of Internal Trade). The annual average price was at 2.78 Baht and 18.28 Baht per kilogram, compared to 2002 which was at 2.69 and 17.33 Baht per kilogram respectively.

The level of palm oil price in 2004 will depend upon domestic production and the world market price. In a case that the price of FFB is between 2.00-3.50 Baht per kilogram, the CPO price will be fluctuating in the range of 14-22 Baht per kilogram.

CPO wholesale price comparison between Bangkok and Malaysian market



Source : Agricultural Economic Research / LST management estimate

9.2 Growth Trends

The palm oil industry of Thailand is likely to develop and expand further. At present, the palm oil consumption rate per capita of the country is still low at 9 kilogram per year, while the average consumption rate of the world is at around 19 kilogram per year. Palm oil price is cheaper than other vegetable oils, which is considered an advantage to penetrate domestic and international markets. Previously, most of the palm oil was produced for domestic consumption. But with the over supply situation due to favourable weather condition, the domestic price fell and palm oil commanded a higher price abroad than domestically. This led to occasional export. In the future, if the palm oil industry entrepreneurs including growers can develop production efficiency and manage production cost to a low level, export will grow, in the process eliminating over supply. This in turn will help to moderate fluctuations of palm oil price. The potential of palm oil industry of Thailand will be further developed both in domestic and export markets.

Besides, the government sector has increased its support for this industry by formulating the Palm Oil and Oil Palm Development Plan for the years 2000-2006. This plan, which enjoys priority in the government, enables the industry to develop its production efficiency. R&D by the private sector in exploring other applications

of palm oil to add more value is another important step in the development of palm oil industry.

9.3 Competition

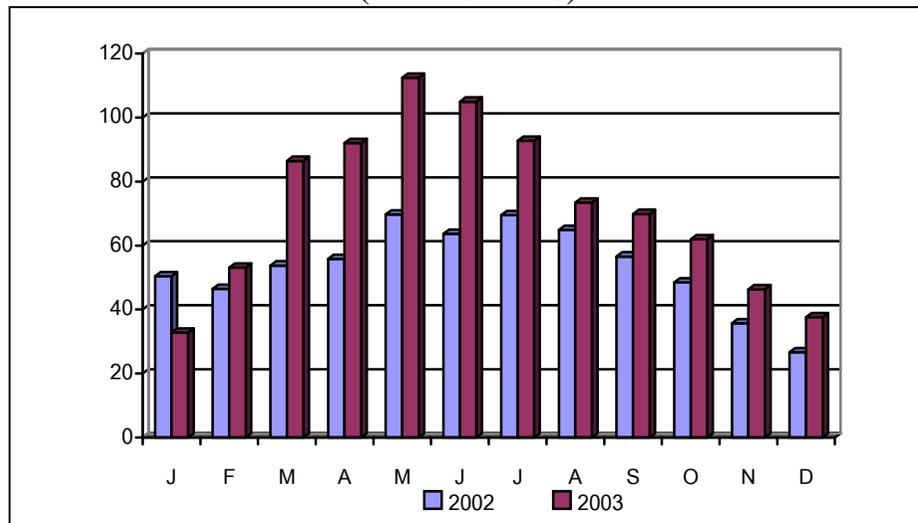
The structure of palm oil and oil palm industry comprises 5 sectors, namely growers, CPO crushing mills, refinery, supporting industry and consumers. Change in any one sector will affect the others. There are also external factors which play important roles in determining domestic price such as world market price, and the price of other substitutable vegetable oils. Another uncontrollable factor such as weather condition has direct impact on volume of FFB to be supplied to the market in every season. In the past, competition to buy raw materials to produce refined palm oil was mainly on the basis of price, including purchasing price of raw material and selling price of finished products. While raw materials price fluctuates all the time, price of finished product is dependent mainly on pricing of competitors.

At present, since 1 January 2003, import tax of palm oil under AFTA has been lowered to 5% but the government has not yet come up with any clear directions as regards implementation. It is expected to present an obstacle to your Company's management in the event of oil palm shortage, resulting in higher cost of raw materials.

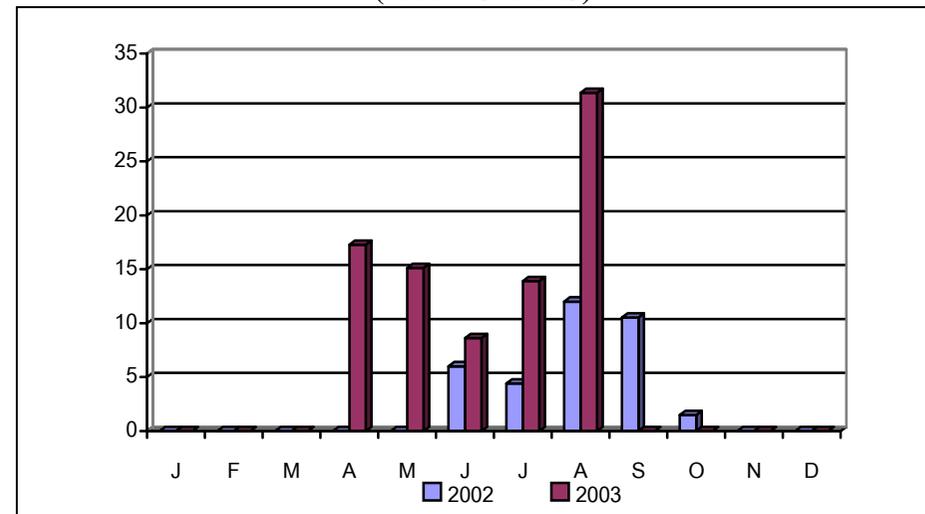
In a broader perspective, such control prevents market mechanism from allocating resource efficiently. This results in low production efficiency and high production cost compared to the production costs in Malaysia and Indonesia. In the future, when entrepreneurs can control production cost, it is expected that competition in price will lessen. It will then be replaced by competition in other aspects such as product differentiation so as to add value to products for the benefit of consumers.

PERFORMANCE OF CRUDE PALM OIL IN THAILAND 2003 (Source : Department of Internal Trade)

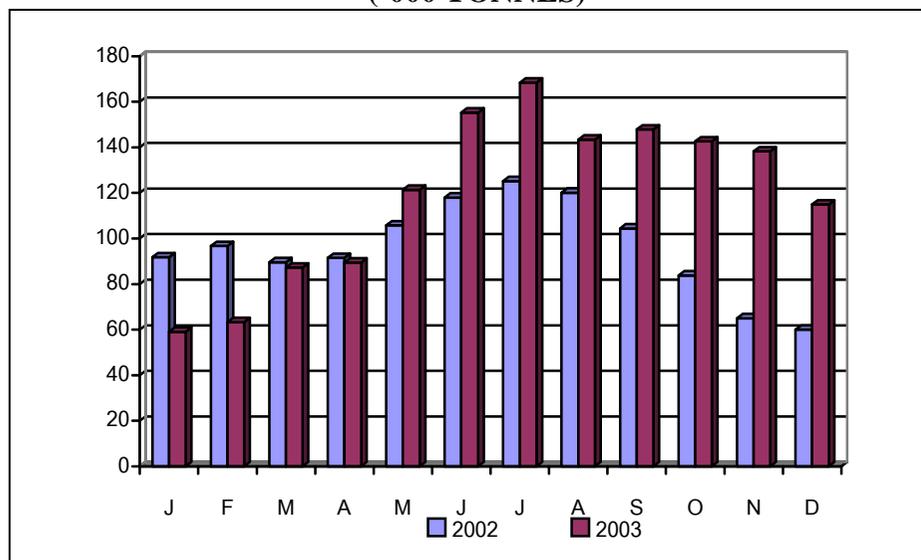
PRODUCTION OF CRUDE PALM OIL ('000 TONNES)



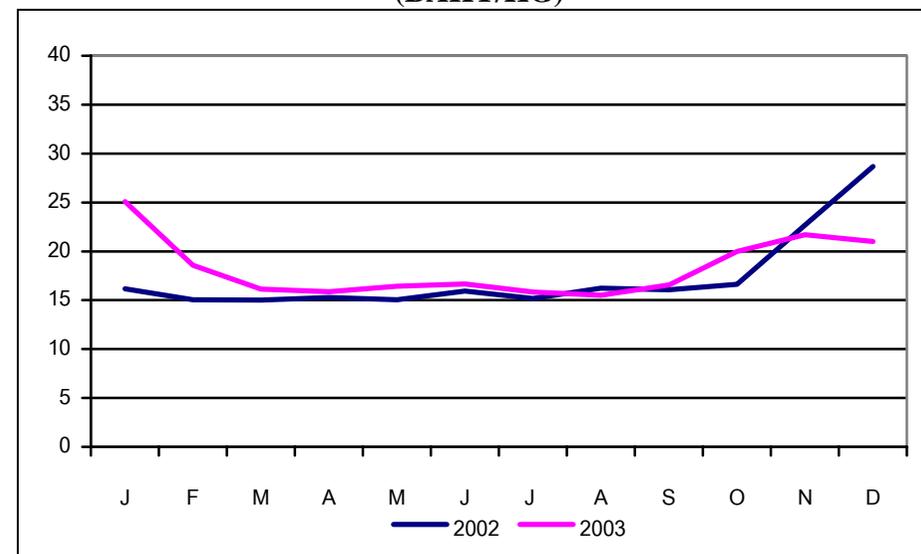
EXPORT OF PALM OIL ('000 TONNES)



CLOSING STOCK OF PALM OIL ('000 TONNES)



LOCAL DELIVERED CRUDE PALM OIL PRICE (BAHT/KG)



10. Shareholders and Management

10.1 Shareholders

As at 21 August 2003, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Lam Soon Holding Co., Ltd. ¹	41.02
2. ABN Amro Asia Services (Singapore) Pte Ltd. ²	19.21
3. Lam Soon Cannery Pte Ltd.	7.48
4. G.K. Goh Stockbrokers Pte Ltd	4.25
5. Thai NVDR Co., Ltd.	1.77
6. G.K. Goh Securities (HK) Nominees Limited	1.22
7. Mr. Somchai Chongsawadchai	1.17
8. UOB Kay Hian Private Limited	0.89
9. Mr. Pirach Imchokchai	0.54
10. Mr. Surapan Pattanapitoon	0.54

Source : Thailand Securities Depository Co., Ltd.

¹ Shareholders of Lam Soon Holding Co., Ltd. and its nature of business are as follows:-

Shareholders : As at 31 December 2003, shareholders holding 10% Onwards of Lam Soon Holding Co., Ltd. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Bangkok Edible Oil Co., Ltd.	50.71
2. Mr. Whang Tar Liang	24.50
3. Mr. Whang Shang Ying	24.50

Nature of Business : As a Holding Company for investing in various businesses.

² Shareholders of ABN Amro Asia Services (Singapore) Pte Ltd. and its nature of business cannot be found any information.

10.2 Board of Directors and Management Committee

10.2.1 Details of Executive Board and Company Executives

1. Name : **Mr. Mechai Viravaidya**
Position : Chairman of Directors and Independent Director
Age : 63
Education : Bachelor of Commerce, Melbourne University, Australia

Experience:
1995-present : Chairman of Directors and Independent Director of Lam Soon (Thailand) Plc.
2003-present : Chairman of Directors and Independent Director of United Palm Oil Industry Plc.
1996-present : Senator
1974-present : Founder and Chairman of Population and Community Development Association (PDA)
1998-1999 : Chairman, Krung Thai Bank (Public Company Limited)
1998-2000 : Chairman, Telephone Organization of Thailand
1991-1992 : Minister to the Prime Minister's Office
1986-1988 : Cabinet Spokesman
1982-1985 : Governor, Provincial Waterworks Authority of Thailand
1985-1986 : Deputy Minister of Industry

2. Name : **Mr. Whang Tar Liang**
Position : Deputy Chairman and Executive Director
Age : 77
Education : Bachelor of Science Degree, University of California at Berkeley, U.S.A.

Experience:
1999-present : Deputy Chairman, Lam Soon (Thailand) Plc.
1994-present : Executive Director, Lam Soon (Thailand) Plc.
1989-present : Director, Lam Soon Holding Co., Ltd.
1973-present : Group Managing Director of The Lam Soon Group for the territory of Singapore, Malaysia and Thailand
Non-Executive Director of G.K. Goh Holdings Limited, a public company in Singapore
1964-1972 : Chairman/Deputy Chairman, Singapore Manufacturers' Association (now known as The Singapore Confederation of Industries).

Deputy Chairman, The Public Service
Commission of Singapore

3. Name : **Mr. Songkram Grachangnetara**
Position : Chairman of Audit Committee and
Independent Director
Age : 62
Education : M.A. (Cantab.), Economics
Cambridge University, England
- Experience:**
2001-present : Chairman of Audit Committee and Independent
Director, Lam Soon (Thailand) Plc.
1990-present : Advisor, Thailand Development Research
Institute (TDRI)
1974-present : Board Director, Population and Community
Development Association (PDA)
1997-2001 : Independent Director, Capital Nomura Securities
Public Company Limited
1991-1994 : Advisor to the Board of Directors, The Industrial
Finance Corporation of Thailand (IFCT)
1991-1994 : Chairman, Industrial Management Company
Limited (IMC)
1982-1990 : Director, Evaluation Division,
Bureau of the Budget, Office of the Prime Minister
4. Name : **Mrs. Sumarn Changsiricharoen**
Position : Independent Director and
Member of Audit Committee
Age : 56
Education : Bachelor's Degree – Accountancy,
Thammasat University
Licensed Auditor
Diploma in Financial Management – The RVB
Executive Program in Management/
The Netherlands
Certificate of Completion DCP 3/2000 from Thai
Institute of Directors (IOD)
- Experience:**
Present : Independent Director and Member of Audit
Committee, Lam Soon (Thailand) Plc.
Director of Finance and Accounting, Bureau
Population and Community Development
Association.

- Past : Licensed Auditor
Director, Ban Phai Union Garment Co., Ltd.
: Auditor, Navatham Law and Accounting Office
Accountant, Thada Visva Co., Ltd.
5. Name : **Mr. Tanatat Puttasuwan**
Position : Independent Director and
Member of Audit Committee
Age : 43
Education : Ph.D. Economics (Financial Economics),
University of Southern California, U.S.A.
Certificate of Completion DCP 1/2000 from Thai
Institute of Directors (IOD)
- Experience:**
Present : Independent Director and Member of Audit
Committee, Lam Soon (Thailand) Plc.
1999-present : Senior Private Sector Development Specialist,
World Bank, Bangkok
1998-1999 : Assistant Secretary to the Board of Directors,
Krung Thai Bank Plc.
1998-1999 : Manager, Investor Relations,
Krung Thai Bank Plc.
- 6 Name : **Mr. Whang Shang Ying**
Position : Executive Director
Age : 43
Education : Bachelor of Arts (Hons.) in Law,
Oxford University, United Kingdom
- Experience:**
1998-present : Executive Director, Lam Soon (Thailand) Plc.
1999-present : Director, Bangkok Edible Oil Co., Ltd.
1999-present : Director, United Palm Oil Industry Plc.
2001-present : Executive Director, Lam Soon (M) Berhad
1994-present : Executive Director, Lam Soon Singapore Pte Ltd
Director, Jurong Cement Limited, a public
company in Singapore
7. Name : **Mr. Somchai Chongsawadchai**
Position : Director and General Manager
Age : 46
Education : Bachelor's degree in Accountancy,
Chulalongkorn University
Certificate of Completion DCP 36/2003 from

- Thai Institute of Directors (IOD)
- Experience:**
1988-present : Director and General Manager,
Lam Soon (Thailand) Plc.
2003-present : Managing Director,
United Palm Oil Industry Plc.
1991-present : Executive Director, Lam Soon Holding Co., Ltd.
1998-present : Director, United Palm Oil Industry Plc.
1991-1999 : Director, M.C. Packaging (Thailand) Co., Ltd.
1997-1998 : President, Palm Oil Refinery Association
1992-1994 : Director, Reckitt and Coleman(Thailand)Co.,Ltd.
8. Name : **Miss Anchalee Suebchantasiri**
Position : Director and Financial Manager
Age : 45
Education : Bachelor's degree in Accountancy,
Thammasat University
Certificate of Completion DCP 36/2003 from
Thai Institute of Directors (IOD)
- Experience:**
1995-present : Director, Lam Soon (Thailand) Plc.
2003-present : Director, United Palm Oil Industry Plc.
1988-present : Financial Manager, Lam Soon (Thailand) Plc.
1992-present : Director, Bangkok Edible Oil Co., Ltd.
9. Name : **Mr. Ampol Simarojana**
Position : Director and Factory Manager
Age : 47
Education : Bachelor of Science (Chemical Engineering),
Chulalongkorn University
Certificate of Completion DCP 37/2003 from
Thai Institute of Directors (IOD)
- Experience:**
1995-present : Director, Lam Soon (Thailand) Plc.
1991-present : Factory Manager, Lam Soon (Thailand) Plc.
1989-1991 : Manager of Melting Division, Siam Asahe-
Technoglass Co., Ltd.
1980-1989 : Assistant Production Manager, Lam Soon
(Thailand) Co., Ltd.
10. Name : **Mr. Nipol Punyawiwat**
Position : Sales Manager
Age : 44

Education : Bachelor of Law, Ramkhamhaeng University

Experience:

1994-present : Sales Manager, Lam Soon (Thailand) Plc.

1980-1994 : Sales Manager, Bangkok Edible Oil Co., Ltd.

11. Name : **Mrs. Roongnapa Phanomchoeng**

Position : Industrial Sales Manager

Age : 45

Education : Bachelor of Economy, Ramkhamhaeng University

Experience:

2002-Present : Industrial Sales Manager,
Lam Soon (Thailand) Plc.

1997-2001 : Assistant Managing Director,
Pure Refined Oil Co., Ltd.

1994-1996 : Senior Sales Manager, Abico Holdings Plc.

10.2.2 Directors and Executives holding shares in the Company

Name	No. of shares at the end of 2002	Increase or (Decrease) in no. of shares during the fiscal year	No. of shares at the end of 2003
1. Mr.Mechai Viravaidya	-	-	-
2. Mr.Whang Tar Liang	275,800	-	275,800
3. Mr.Songkram Grachangnetara	-	-	-
4. Mrs. Sumarn Chaengsiricharoen	-	-	-
5. Mr. Tanatat Puttasuwan	-	-	-
6. Mr.Whang Shang Ying	-	-	-
7. Mr.Somchai Chongsawadchai	956,814	(103,714)	853,100
8. Ms.Anchalee Suebchantasiri	50,914	(50,000)	914
9. Mr.Ampol Simarojana	20,000	-	20,000
10. Mr.Nipol Poonyaviwat	50,050	(49,500)	550
11. Mrs. Roongnapa Phanomchoeng	-	-	-

10.3 Remuneration of Management

Remuneration of Director and Management

Explicit Remuneration

- Remuneration of all board members 3,471,750 Baht
- Remuneration of the Management 58,824,148 Baht
- Total remuneration of 15 highest remunerated executives 67,859,696 Baht

Note : This includes remuneration paid to directors, managers, division managers, and other personnel entrusted with similar power according to Announcement No. Kor. Jor. 40/2540 dated November 28, 1997

Other remuneration

- None -

11. Common Interested Persons and Connected Transactions

11.1 Connected transactions with common interested persons

Common Interested Persons	: United Palm Oil Industry Public Company Limited
Relation	: Subsidiary company
Common interest	: In 2003, the Company purchased products from a subsidiary company at the market price amounting to 289 million Baht in the ordinary course of business. The Company has been carrying out such trading transactions with the subsidiary company for several years before the Company invested in the subsidiary company.

11.2 Connected transactions between the Company, subsidiaries and associated companies where an interested party holds over ten percent of the shares with voting rights in a subsidiary or associated company

- None -

11.3 Reasons for new connected transactions

- None -

11.4 Opinions of independent directors or independent experts on connected transactions

- None -

11.5 Opinion of independent directors on the compliance with conditions set by the Company in public offering regulations and prospectus

- None -

12. Other Factors Affecting Investment Decisions

12.1 Legal conflicts

- None -

12.2 Obligations on future share issuance

- None -

13. Information on Debentures or Promissory Notes

- None -

14. Management Discussion and Analysis

The Financial Status of the Company in 2003 has some major components and changes as follows:

On May 28, 2003, the Company increased its investment in United Palm Oil Industry Plc. from 24% to 66%, resulting the latter becoming a subsidiary instead of associated company. As a consequence, starting from the second quarter of 2003, the Company also declared consolidated financial statements. However, as this is the first year in which the consolidated financial statements is being presented, we could not do the comparison analysis with 2002. The following management discussion and analysis would emphasize on the major components and changes only of the Company.

14.1 Operating results

Due to the increased volume of FFB and CPO coming to the market in 2003 amidst the high average world price of CPO, Thailand could export the over supply of CPO in 2003. Even such, in 2003 the average month-end stock of CPO all over the country was recorded as exceeding 100,000 metric tons. As a consequence, local CPO price in 2003 did not change much from 2002 but moving up slightly. As for the Company' performance in 2003, operating profit increased from 162.23 million Baht in 2002 to 202.16 million Baht, up 39.93 million Baht or 24.61%. In term of operating margin, however it decreased slightly from 6.16% in 2002 to 6.05% because in 2003. Cost of sales as percentage of sales revenue increased, resulting in lower gross profit margin from 14.08% to 12.01%. However, the increase in shareholding in United Palm Oil Industry Plc. caused the share of profit of investment in subsidiary to increase from 7.81 million Baht to 64.51 million Baht. The Company, in 2003, thus, recorded net profit at 216.92 million Baht, up 91.19 million Baht or 72.53% from 2002. Net profit margin in 2003 increased to 6.35% from 4.74% in 2002.

Other major components and changes in financial statements are as follows:-

Revenues

Revenue from sales: In 2003 the Company's sales in value was 3,341.30 million Baht, up 26.87% from 2002 with 6.57% increase of sales volume and 20.31% increase of average selling price per metric ton. The Company maintained an income structure similar to 2002 with major sales coming from the vegetable oil, being high as 87.97%

of the total sales value. However, revenue from sales was mainly 93.55% contributed by local products. Sales in value of Company and its subsidiary in 2003 amounted to 3,489.38 million Baht.

Other revenues: The Company's other revenues (not generated by normal operation) recorded at 0.36% of total revenues or 12.30 million Baht. Major items included gains on disposal of scrap and penalty fee from operation.

Profit sharing from investment in subsidiary (an associated company in 2002): In May 2003, the Company increased the investment in United Palm Oil Industry Plc. from 24.40% at the 2002-end to 66.29% at the 2003-end, resulting the latter becoming a subsidiary instead of associated company. Profit sharing from investment increased from 7.81 million Baht in 2002 to 64.51 million Baht in 2003 or 726.32% increase.

Expenses

Cost of sales: Cost of sales increased from 2,262.87 million Baht in 2002 to 2,940.10 million Baht (a 29.93% increase), and the average cost per metric ton increased by 23.20 % from 2002, arising from an increase of CPO price. Nevertheless, the Company was able to offset this to a large extent by adjusting upward selling price per metric ton by 20.31%.

Selling and administrative expenses: Selling and administrative expenses as a proportion of sale values decreased from 8.29% in 2002 to 6.22% in 2003, the lowest level since 1997. S&A expenses in 2003 was 207.67 million Baht compared with 218.38 million Baht in 2002, or 4.90% decrease. The major components were salary, transportation cost and promotion expenses.

Interest expense: During the year 2003, the Company borrowed 370 million Baht from a commercial bank to fund its additional investment in United Palm Oil Industry Plc. Interest expense thus increased from 0.24 million Baht in 2002 to 5.91 million Baht.

Profits

Gross profit: Gross profit margin in 2003 was at 12.01%, lower than 14.08% in 2002 as the Company could not adjust selling price in the same proportion as the increase of cost of sales, due to the intense

competition in the market. Gross profit margin of the consolidated financial statements in 2003 recorded at 15.30%.

Operating profit: The Company recorded an operating profit in 2003 at 202.16 million Baht, representing 24.61% increase from 2002 on the back of a 26.87% increase in sales revenue. At the same time, there was a 4.90% decrease in S&A expenses. However, operating profit margin in 2003 was at 6.05%, slightly lower than 6.16% of 2002 due to the decrease in gross profit margin.

Net profit: The Company recorded net profit in 2003 of 216.92 million Baht, up 91.19 million Baht or 72.53% from 2002. Net profit margin in 2003 increased from 4.74% in 2002 to 6.35% since operating profit and profit sharing from investment increased 24.61% and 726.32% respectively. Net profit margin of the consolidated financial statements in 2003 was 6.15%.

Dividends payout ratio: In 2003, earnings per share was 2.92 Baht while the Company paid the dividends based on the operation year of 2.00 Baht per share (according to the resolution of BOD meeting no. 1/2004 on 26/2/04 to be proposed to Annual General Meeting of Shareholders no. 1/2004 on 16/4/04), accounting for 68.49% of net profit. The Company's policy is to pay dividends to shareholders not less than 40% of net earnings after tax.

Book value (weighted average): As at December 31, 2003, the book value per share was 16.68 Baht, an increase compared to 14.61 Baht in 2002.

14.2 Financial status

Assets: At the end of 2003, the asset value of the Company and its subsidiary was 2,244.82 million Baht while that of the Company itself was 1,960.06 million Baht, 29.01% higher than in 2002. 47.16% of total asset comprised current assets, a decrease portion when compared with 55.15% in 2002. But in terms of value, the current asset in 2003 increased by 10.33% from 2002 due to high level of inventories and account receivables. Non-current assets had also increased by 52.00%, due to the investment in United Palm Oil Industry Plc.

- **Cash in hand and at banks:** At the end of 2003, the amount was 46.61 million Baht, 2.38% of total assets, compared with the 2002 figure of 78.43 million Baht, a decrease by 31.82 million Baht or

40.58%. This is because the Company applied some portion of cash to increase its investment in United Palm Oil Industry Plc. from 24.40% at the end of 2002 to 66.29% at the end of 2003.

- **Trade accounts receivable:** As at the end of 2003, the Company recorded gross trade accounts receivable (before an allowance for doubtful debt) at 312.48 million Baht and set up an allowance for doubtful debt at 10.75 million Baht accounting for 3.44% of gross trade accounts receivable, slightly lower than 10.77 million Baht as at the end of 2002. Thus, trade accounts receivable-net as at the end of 2003 was at 301.74 million Baht, 15.39% of total asset, increasing 25.70% from 2002 whose figure was 240.05 million Baht. In 2003, the average collection period decreased slightly to 30 days, compared with 33 days in 2002. This represented that the Company could improve the efficiency of debt collection from its customers. In addition, the Company had postdated cheques and trade accounts receivable (up to 3 months) of 96.24% of gross trade accounts receivable.
- **Inventory:** As at the end of 2003, the Company had net inventory worth 574.19 million Baht, or 29.29% of total assets, increasing 31.72% from 435.93 million Baht in 2002. This was mainly due to the increased value of work in process and finished goods. As at the end of 2003, the Company had an allowance for stock obsolescence and diminution in value of inventories amounting to 1.10 million Baht, a slight decrease from 2002 whose amount was at 1.14 million Baht.
- **Other long-term investments** As at the end of 2003, the Company had net long-term investment in mutual fund at 0.97 million Baht, increasing by 0.51 million Baht or 111.88% from 2002, owing to the lower provision for diminution in value of investment reflected by the increase in SET index.
- **Investments in a subsidiary (an associated company in 2002):** The Company increased the investment in United Palm Oil Industry Plc. from 24.40% as at the end of 2002 to 66.29% as at the end of 2003, resulting in the latter being a subsidiary instead of an associated company. The investment valued by the equity method was at 620.63 million Baht. As at the end of 2003, the Company set up provision for diminution in value of investment in subsidiary amounting to 1.78 million Baht, and subsidiary paid 57.25 million Baht in dividend to the Company.

- **Land, buildings, machinery and equipment:** As at the end of 2003, net value of fixed assets was at 413.74 million Baht, accounting for 21.11% of total asset value, decreasing from 440.98 million Baht of 2002. This is because in 2003 the Company did not significantly procure and invest in fixed assets.

Sources of capital: As at the end of 2003, under the consolidated financial statements, this comprised 733.92 million Baht of liabilities and 1,510.90 million Baht (net of treasury stock of 127.61 million Baht) from shareholders' equity, in the ratio of 32.69 : 67.31 respectively. The ratio of debt to equity was at 0.49 times. For the Company itself, sources of capital comprised 722.81 million Baht of liabilities and 1,237.26 million Baht (net of treasury stock of 127.61 million Baht) of shareholders' equity, in the ratio of 36.88 : 63.12 respectively. The ratio of debt to equity was up from 0.27 in 2002 to 0.58 times at the end of 2003. The reasons are as follows:-

- **Liabilities:** As at the end of 2003, the Company had short-term loan from bank of 170 million Baht and long-term loan of 270 million Baht (including current portion of long-term loan amounting to 77.14 million Baht) compared to none in 2002. The Company used the long-term loan as a part of source of fund to increase its investment in United Palm Oil Industry Plc. from 24.40% to 66.29%. Short-term loan was used by the Company as a working capital for purchasing raw material.
- **Shareholders:** In 2003 the Company continued to repurchase its shares, and completed the programme on April 24, 2003. As at the end of 2003, the Company repurchased 8.20 million shares or 10% of total shares issued and paid-up at an average price of 15.56 Baht/share, amounting to 127.61 million Baht. The Board of Directors had approved the share repurchase scheme, with an investment amount to not exceeding 150 million Baht or, in term of shares repurchased, not exceeding 8.20 million shares, equivalent to 10% of the total shares issued and paid-up of the Company.

14.3 Financial liquidity

In 2003, the Company had a decrease in financial liquidity from 2002 with cash and cash equivalents closing balance of 46.61 million Baht, compared with

78.43 million Baht in 2002. The main factors for changes in cashflows from operations, investment, and financing activities were as follows:-

Cashflows from operations: In 2003 cashflows paid from operations was 41.57 million Baht, compared to cashflows generated from operations amounting to 196.40 million Baht in 2002. The main reasons were as follows:-

- the inventory value of 2003 was up by 31.72% from 2002, a major portion of which were the increase of work in process and finished goods, resulting in cash outflows amounting to 138.23 million Baht.
- trade accounts receivable increased leading to cash outflows amounting to 61.64 million Baht in 2003. This is because the average selling price increased by 20.31% compared to 2002.
- trade accounts payable decreased in 2003 leading to cash outflows of 50.97 million Baht whereas in 2002 the Company could earn cash inflows amounting 120.31 million Baht. This is mainly because of the decrease in trade accounts payable of raw materials.

Cashflows from investing activities: In 2003, cash outflow for investing activities was 256.27 million Baht compared with 60.01 million Baht in 2002, increasing by 196.26 million Baht or 327.04%. The reason was the increase of investment in United Palm Oil Industry Plc. from 24.40% to 66.29%, resulting in cash outflows increasing by 374.21 million Baht.

Cashflows from financing activities: In 2003, cashflows generated from financing activities was 266.02 million Baht, compared with cashflows paid from financing activities in 2002 of 188.61 million Baht because:-

- the Company had short-term loan from bank amounting to 170 million Baht, whereas in 2002 the Company repaid to a bank a short-term loan amounting to 30 million Baht.
- the Company had outstanding long-term loan from bank at the end of 2003 amounting to 270 million Baht, but none for 2002.
- the Company reduced the repurchase of its shares worth 77.62 million Baht when compared with 2002.
- During 2003, the Company paid interim dividend amounting to 73.8 million Baht, but none for 2002.

14.4 Financial ratios

- **Current Ratio:** Down from 2.57 times in 2002 to 1.74 times in 2003 due to the Company's current liabilities increasing by 62.72% whereas current asset up only 10.33%. The major increase in current liabilities was accounted for 170-million-Baht short-term loan from bank, compared to none for 2002. Under the consolidated financial statements, the ratio was 2.05 times in 2003.
- **Quick Ratio:** Down from 1.23 times in 2002 to 0.66 time in 2003 as quick assets in 2003 decreased by 12.92% due to less cash and short-term investment but current liabilities increased by 62.72% by short-term loan from bank. Under the consolidated financial statements, the ratio was 0.93 times in 2003.
- **Return on total assets:** Up from 8.48% in 2002 to 12.47% in 2003, as the Company increased its net profits by 72.53%, while total assets increased by 29.01%.
- **Return on total equity:** Up from 10.53% in 2002 to 17.85% in 2003, due to the increase of net profits and share repurchase worth 25.00 million Baht additionally from 2002.
- **Total debt to equity ratio:** Increased from 0.27 times in 2002 to 0.58 time in 2003, as in 2003, the liabilities increased by 121.94% while the net shareholders' equity increased only 3.66% compared with 2002. The Company borrowed from bank to partially fund its increased investment in a subsidiary. Under the consolidated financial statements, the ratio was 0.49 times in 2003.
- **Account receivable turnover:** Increased from 11.07 times in 2002 to 11.86 in 2003, resulting in an average collection period decreasing slightly at 30 days, compared to 33 days in 2002. However, the Company has still focused on continuously managing and controlling credit extended to customers and would not significantly change its policy of selling on credit to customers.
- **Inventory turnover:** In 2003 the inventory turnover (finished goods only) was 31.76 times, a slight decrease from 33.02 times in 2002, resulting the inventory turnover period to be at 11 days, the same level of 2002.
- **Account payable turnover:** Up from 15.96 times in 2002 to 17.00 in 2003, causing payment period to decrease slightly from 23 days to 21 days.

15. Financial statements

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

Report of Independent Auditor

To The Board of Directors and Shareholders of
Lam Soon (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheet of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2003, the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the year then ended and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Lam Soon (Thailand) Public Company Limited as at and for the year ended 31 December 2002, which are presented herein for comparative purposes, were audited by another auditor who, under his report dated 31 January 2003, expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Company had on 28 May 2003 and 18 July 2003 acquired investment in an associated company, which led to an increase in the shareholding percentage from 24.40% to 66.29% and the change in the status of that company from associate to subsidiary. The consolidated balance sheet as at 31 December 2003 had therefore incorporated the consolidated balance sheet of this company and the consolidated earnings statement for the year then ended included the consolidated operating results of that company as from 1 June 2003 to 31 December 2003.

Ruth Chaowanagawi

Certified Public Accountant (Thailand) No. 3247

Ernst & Young Office Limited

Bangkok : 5 February 2004

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED	THE COMPANY ONLY	
		2003	2003	2002
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		202,493,721	46,605,594	78,430,550
Short term investments	4	-	-	81,533,781
Trade accounts receivable				
Related parties	5,6	1,520,975	1,533,604	973,208
Other companies - net	5	300,331,866	300,201,777	239,076,244
Total trade accounts receivable - net		301,852,841	301,735,381	240,049,452
Inventories - net	7	597,298,373	574,188,336	435,928,416
Other current assets		5,061,300	1,921,911	1,985,348
TOTAL CURRENT ASSETS		1,106,706,235	924,451,222	837,927,547
NON-CURRENT ASSETS				
Investment in related party accounted for under equity method	8	-	620,634,249	239,416,070
Other long-term investments - net	9	15,136,707	966,707	456,251
Property, plant and equipment - net	10	983,193,512	413,739,745	440,983,303
Excess of acquisition cost of investment over net book value of subsidiary		139,471,989	-	-
Other non-current assets		308,659	268,859	470,359
TOTAL NON-CURRENT ASSETS		1,138,110,867	1,035,609,560	681,325,983
TOTAL ASSETS		2,244,817,102	1,960,060,782	1,519,253,530

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED	THE COMPANY ONLY	
		2003	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans from bank	11	170,000,000	170,000,000	-
Trade accounts payable				
Related party	6	-	28,500,085	12,859,680
Other companies		148,093,200	139,695,216	206,099,401
Total trade accounts payable		148,093,200	168,195,301	218,959,081
Current portion of long term loan	12	77,142,857	77,142,857	-
Dividend payable		29,956,141	25,376,626	25,357,944
Other current liabilities				
Income tax payable		30,905,929	20,393,968	28,897,438
Accrued expenses		40,435,021	25,328,293	21,873,948
Unearned income		18,980,334	18,980,334	17,833,658
Others		25,549,109	24,530,776	12,749,247
Total other current liabilities		115,870,393	89,233,371	81,354,291
TOTAL CURRENT LIABILITIES		541,062,591	529,948,155	325,671,316
NON-CURRENT LIABILITIES				
Long-term loan - net of current portion	12	192,857,143	192,857,143	-
TOTAL LIABILITIES		733,919,734	722,805,298	325,671,316
SHAREHOLDERS' EQUITY				
Share capital				
Registered, issued and fully paid-up				
82,000,000 ordinary shares of Baht 10 each		820,000,000	820,000,000	820,000,000
Share premium		241,970,265	241,970,265	241,970,265
Unrealised gain from short-term investments	4	-	-	533,781
Unrealised loss from other long-term investments	9	-2,312,417	-2,312,417	-3,585,948
Retained earnings				
Appropriated - statutory reserve	13	61,346,664	61,346,664	50,478,971
Unappropriated		243,863,872	243,863,872	186,802,475
Total shareholders' equity		1,364,868,384	1,364,868,384	1,296,199,544
Less : Treasury stock	14	-127,612,900	-127,612,900	-102,617,330
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS - NET		1,237,255,484	1,237,255,484	1,193,582,214
MINORITY INTERESTS - EQUITY ATTRIBUTABLE TO MINORITY				
SHAREHOLDERS OF SUBSIDIARY		273,641,884	-	-
TOTAL SHAREHOLDERS' EQUITY		1,510,897,368	1,237,255,484	1,193,582,214
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,244,817,102	1,960,060,782	1,519,253,530
		0	0	0

The accompanying notes are an integral part of the financial statements.

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DIRECTORS

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LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED	THE COMPANY ONLY	
		2003	2003	2002
REVENUES				
Sales		3,489,381,474	3,341,302,776	2,633,543,694
Share of profit from investment accounted for under equity method	8	23,472,548	64,507,378	7,806,606
Other income		14,960,630	12,295,875	13,205,540
TOTAL REVENUES		3,527,814,652	3,418,106,029	2,654,555,840
EXPENSES				
Cost of sales		2,955,547,171	2,940,102,183	2,262,865,995
Selling and administrative expenses		252,422,723	207,666,017	218,376,818
Directors' remuneration	15	7,147,250	3,671,250	3,275,000
TOTAL EXPENSES		3,215,117,144	3,151,439,450	2,484,517,813
EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX		312,697,508	266,666,579	170,038,027
INTEREST EXPENSES		-5,910,284	-5,910,284	-241,426
CORPORATE INCOME TAX	16	-61,600,423	-43,840,605	-44,069,731
EARNINGS BEFORE MINORITY INTERESTS		245,186,801	216,915,690	125,726,870
EARNINGS IN RESPECT OF MINORITY INTERESTS		-28,271,111	-	-
NET EARNINGS FOR THE YEAR		216,915,690	216,915,690	125,726,870
BASIC EARNINGS PER SHARE				
Net earnings		2.92	2.92	1.54
Weighted average number of ordinary shares - net (Shares)		74,175,161	74,175,161	81,715,641

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2003	2003	2002
Cash flows from operating activities :			
Net earnings	216,915,690	216,915,690	125,726,870
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities :-			
Depreciation	82,126,202	49,026,697	48,586,097
Amortisation of excess of acquisition cost of investment over net book value of subsidiary	6,219,711	-	-
Share of profit from investment accounted for under equity method	-23,472,549	-64,507,378	-7,806,606
Increase (decrease) in allowance for doubtful accounts	-19,925	-19,925	6,139,116
Increase (decrease) in provision for obsolete inventories	6,485,536	-32,085	-
Gain on disposal of short-term investments	-1,089,930	-1,089,930	-
Gain on disposal of investment in related party	-288,603	-288,603	-559,446
Gain on disposal of other long-term investments	-	-	-223,439
Loss (gain) on disposal and write off of fixed assets	886,233	920,760	-635,125
Unrealised loss on exchange	173,961	173,961	104,081
Earnings in respect of minority interests	28,271,111	-	-
Earnings before changes in operating assets and liabilities	316,207,437	201,099,187	171,331,548
Decrease (increase) in operating assets :-			
Trade accounts receivable - related parties	58,828	-560,396	-991
Trade accounts receivable - other companies	-35,273,371	-61,074,609	-25,936,154
Inventories	-156,481,713	-138,227,835	-87,595,283
Other current assets	759,394	63,437	3,520,008
Other non-current assets	319,236	201,500	512,713
Increase (decrease) in operating liabilities :-			
Trade accounts payable - related party	15,640,405	15,640,405	-8,328,950
Trade accounts payable - other companies	-64,321,273	-66,609,145	128,639,970
Other current liabilities	518,912	7,897,762	14,256,895
Net cash from (used in) operating activities	77,427,855	-41,569,694	196,399,756

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2003	2003	2002
Cash flows from investing activities :			
Proceeds from disposal of short-term investments	92,188,489	92,188,489	-
Proceeds from disposal of investment in related party	1,305,675	1,305,675	2,600,800
Proceeds from disposal of other long-term investments	-	-	8,017,840
Proceeds from disposal of fixed assets	1,593,535	841,122	683,015
Increase in short-term investments	-10,098,560	-10,098,560	-81,000,000
Increase in investment in related party	-206,947,254	-374,214,693	-2,955,200
Dividend received from subsidiary	3,543,617	57,249,894	31,571,116
Acquisitions of equipment	-73,688,052	-23,545,019	-18,928,798
Net cash used in investing activities	-192,102,550	-256,273,092	-60,011,227
Cash flows from financing activities :			
Increase (decrease) in short-term loans from banks	170,000,000	170,000,000	-30,000,000
Increase in long - term loan	370,000,000	370,000,000	-
Cash paid for long - term loan	-100,000,000	-100,000,000	-
Increase in treasury stock	-24,995,570	-24,995,570	-102,617,330
Dividend paid	-176,266,564	-148,986,600	-55,996,541
Net cash from (used in) financing activities	238,737,866	266,017,830	-188,613,871
Net increase (decrease) in cash and cash equivalents	124,063,171	-31,824,956	-52,225,342
Cash and cash equivalents at beginning of the year	78,430,550	78,430,550	130,655,892
Cash and cash equivalents at end of the year	202,493,721	46,605,594	78,430,550
Supplementary disclosures of cash flows information			
Cash paid during the year for :-			
Interest expenses	5,819,985	5,819,985	572,659
Corporate income tax	82,217,191	52,328,224	31,533,899

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003

(Unit : Baht)

CONSOLIDATED										
	Note	Issued and paid up share capital	Share premium	Unrealised gain from short-term investments	Unrealised loss from other long-term investments	Retained earnings			Total	
						Appropriated - statutory reserve	Unappropriated	Treasury stock		Minority interests
Balance as at 1 January 2003		820,000,000	241,970,265	533,781	(3,585,948)	50,478,971	186,802,475	(102,617,330)	-	1,193,582,214
Adjustment of fair value of investments		-	-	(533,781)	1,273,531	-	-	-	-	739,750
Increase in treasury stock										
during the year		-	-	-	-	-	-	(24,995,570)	-	(24,995,570)
Appropriation of statutory reserve	13	-	-	-	-	10,867,693	(10,867,693)	-	-	-
Dividend paid	17	-	-	-	-	-	(148,986,600)	-	-	(148,986,600)
Net earnings for the year		-	-	-	-	-	216,915,690	-	-	216,915,690
Increase in minority interests		-	-	-	-	-	-	-	273,641,884	273,641,884
Balance as at 31 December 2003		820,000,000	241,970,265	-	(2,312,417)	61,346,664	243,863,872	(127,612,900)	273,641,884	1,510,897,368

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Unit : Baht)

		THE COMPANY ONLY							
				Unrealised loss		Retained earnings			
		Issued and paid up	Unrealised gain from short-term investments	from other long-term investments	Appropriated - statutory reserve	Unappropriated	Treasury stock	Total	
Note	share capital	Share premium							
	Balance as at 1 January 2002	820,000,000	241,970,265	-	(4,093,364)	44,192,627	92,487,837	-	1,194,557,365
	Adjustment of fair value of investments	-	-	533,781	507,416	-	-	-	1,041,197
	Reversal of accrued dividend	-	-	-	-	-	15,000,000	-	15,000,000
	Increase in treasury stock	-	-	-	-	-	-	(102,617,330)	(102,617,330)
	Appropriation of statutory reserve	-	-	-	-	6,286,344	(6,286,344)	-	-
	Dividend paid	-	-	-	-	-	(40,125,888)	-	(40,125,888)
	Net earnings for the year	-	-	-	-	-	125,726,870	-	125,726,870
	Balance as at 31 December 2002	820,000,000	241,970,265	533,781	(3,585,948)	50,478,971	186,802,475	(102,617,330)	1,193,582,214
	Adjustment of fair value of investments	-	-	(533,781)	1,273,531	-	-	-	739,750
	Increase in treasury stock								
	during the year	-	-	-	-	-	-	(24,995,570)	(24,995,570)
	Appropriation of statutory reserve	-	-	-	-	10,867,693	(10,867,693)	-	-
	Dividend paid	-	-	-	-	-	(148,986,600)	-	(148,986,600)
	Net earnings for the year	-	-	-	-	-	216,915,690	-	216,915,690
	Balance as at 31 December 2003	820,000,000	241,970,265	-	(2,312,417)	61,346,664	243,863,872	(127,612,900)	1,237,255,484

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lamsoon (Thailand) Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and its principle activity is the manufacture and distribution of palm oil. Its registered address is at 947/155 Moo 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF CONSOLIDATION

The Company had on 28 May 2003 and 18 July 2003 acquired investment in an associated company, which led to an increase in the shareholding percentage from 24.40% to 66.29% and the change in the status of that company from associate to subsidiary. The consolidated balance sheet as at 31 December 2003 had therefore incorporated the consolidated balance sheet of this company and the consolidated earnings statement for the year then ended included the consolidated operating results of that company as from 1 June 2003 to 31 December 2003.

The consolidated financial statements include the financial statements of Lam Soon (Thailand) Public Company Limited (herein after called “the Company”) and the financial statements of its subsidiaries (herein after called “the subsidiaries”), which were incorporated in Thailand, as follows :

	Paid-up capital	Equity interest owned	Nature of Business
		by the Company/ subsidiary	
	2003	2003	
	Million Baht	Percent	
<u>Subsidiary directly held by the Company</u>			
United Palm Oil Industry Public Company Limited	324	66	Oil palm plantation, crude palm oil and kernel palm oil processing
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>			
Phansrivivat Company Limited	274	100	Owner of oil palm plantation
<u>Subsidiaries held by Phansrivivat Company Limited</u>			
Prachak Vivat Company Limited	5	100	Holder of concessions to use forest reserve land
Phansri Company Limited	5	100	Holder of concessions to use forest reserve land

Intercompany balances and significant intercompany transactions between the Company and its subsidiaries, investment in subsidiary of the Company and the subsidiary's share capital have been eliminated from the consolidated financial statements.

The excess of cost of investment in subsidiary and the net assets value of the subsidiary at the time of acquisition has been shown as “Excess of acquisition cost of investment over net book value of subsidiary” under non-current assets in the consolidated balance sheet, which is amortized over a period of 20 years from the date of acquisition.

The net worth of investment and net cash used in acquiring investment in subsidiary were as follows :-

	(Unit : Baht)
	<u>2003</u>
Net assets	358,615,050
Net liabilities	(18,769,867)
Net book value of subsidiary	<u>339,845,183</u>
Excess of acquisition cost of investment over net book value of subsidiary	34,369,510
Acquisition cost of investment	<u>374,214,693</u>
Less : Cash and cash equivalents at acquired date	<u>(167,267,439)</u>
Net cash used in acquiring investment in subsidiary	<u><u>206,947,254</u></u>

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and the subsidiaries are summarised below :-

3.1 Sales

Sales represent the invoiced value, excluding value added tax, of goods supplied after deducting goods returned, discount and allowance.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash and deposits at banks with an original maturity of 3 months or less and without commitments.

3.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

3.4 Inventories

Finished goods are valued at the lower of cost (Moving average method) and net realisable value. Cost is defined as all production costs including attributable factory overheads.

Raw materials and supplies used in the manufacture are valued at cost (Moving average method) and constitute as parts of production cost whenever consumed.

Allowance for obsolete inventories is provided for damaged, obsolete and defective inventories.

3.5 Investments

Investments in subsidiary companies are stated under the equity method.

Short-term and long-term investments in available for sale securities are determined at fair value, which is based on the latest bid price of the Stock Exchange of Thailand on the last working day of the period as quoted. Change in the value of the available for sale securities is shown as separate item in the shareholders' equity until securities are sold, the change is then included in determining earnings.

3.6 Property, plant and equipment/depreciation and amortisation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is calculated by reference to their costs on the straight-line method over the estimated useful lives as follows :-

Cost of rights to use forest reserve land	-	Concession period
Building and building improvement	-	20 - 30 years
Waste water treatment	-	30 years
Machinery, factory and agricultural equipment	-	5 - 15 years
Furniture and fixtures and office equipment	-	5 - 10 years
Vehicles	-	5 years

No depreciation is provided for land, construction in progress and machinery under installation.

Oil plan plantation development costs represent the costs of palm tree plantations, and are amortised over the estimated productive life of the palm trees (25 years) or over the remaining period of the forest reserve land concession, whichever is shorter.

Costs of supplying palm vacancies and infilling mature areas are included in determining earnings.

Depreciation and amortisation are included in determining earnings.

3.7 Treasury stock

Treasury stock is stated at cost and presented as a reduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

3.8 Foreign currencies

Transactions in foreign currencies are translated into Baht at the rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currency outstanding at the balance sheet date are translated into Baht at the rates ruling at the balance sheet date except for those covered by forward exchange contracts at the contracted date.

Exchange gains and losses are included in determining earnings. Discounts or premiums on forward exchange contracts (the difference between the spot exchange rate and the forward exchange rate at inception of the contracts) are deferred and amortised to earnings over the contract lives using the straight-line method.

3.9 Financial instruments

The Company has no policy to speculate in or engage in the trading of any financial derivative instruments.

Financial instruments carried in the balance sheet include cash and cash equivalent, investments, loans from banks, trade accounts receivable and trade accounts payable and financial derivative instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share, which is determined by dividing net earnings for the year by the weighted average number of ordinary shares in issue during the year.

3.11 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

4. SHORT-TERM INVESTMENTS

	(Unit : Baht)		
	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
<i>Equity securities</i>			
TMB Money Fund	-	-	1,000,000
TMB Treasury Fund	-	-	10,000,000
AJF Star Multiple Fund	-	-	70,000,000
Total	-	-	81,000,000
Add : Unrealised gain from short-term investments	-	-	533,781
Short-term investments	-	-	81,533,781

5. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2003 and 2002, classified by aging, were as follows :-

	(Unit : Baht)		
	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
<u>Related parties</u>			
- Less than 3 months	1,471,525	1,484,154	973,208
- 3 - 6 months	49,450	49,450	-
Total	1,520,975	1,533,604	973,208
<u>Other companies</u>			
Post dated cheques receivable	19,989,654	19,989,654	26,516,280
Cheque returned	7,544,456	7,544,456	7,500,119
Trade accounts receivable			
- Less than 3 months	280,886,514	280,756,426	210,855,862
- 3 - 6 months	475,190	475,190	411,378
- 6 - 12 months	201,014	201,014	382,704
- Over 12 months	6,614,799	1,980,117	4,174,906
Total	315,711,627	310,946,857	249,841,249
Less : Allowance for doubtful accounts	(15,379,761)	(10,745,080)	(10,765,005)
Net	300,331,866	300,201,777	239,076,244
Total trade accounts receivable - net	301,852,841	301,735,381	240,049,452

6. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiary and related companies (related by the way of common shareholders and/or common directors). Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the normal course of business, are summarised as follows :-

(Unit : Million Baht)

	For the year ended 31 December			Pricing policy
	Consolidated	The Company Only		
	<u>2003</u>	<u>2003</u>	<u>2002</u>	
<i>Transactions with subsidiary</i>				
Purchase of goods	-	181.1	-	Forward contract prices by using market prices at the date of agreement or market prices
<i>Transactions with related companies</i>				
Purchase of goods	107.9	107.9	269.4	Forward contract prices by using market prices at the date of agreement or market prices
Sales of goods	1.6	1.6	2.8	Agreed prices

The outstanding balances of the above transactions have been separately shown in the balances sheets with the details as follows :-

(Unit : Baht)

	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
	<i>Trade accounts receivable - related parties</i>		
<i>Subsidiary</i>			
United Palm Oil Industry Public Company Limited	-	12,629	-
<i>Related companies</i>			
Lam Soon Singapore Pte Limited	245,662	245,662	681,672
Lam Soon (M) Berhad	-	-	291,536
Lam Soon Edible Oils Sdn. Bhd.	1,275,313	1,275,313	-
Total trade accounts receivable - related parties	<u>1,520,975</u>	<u>1,533,604</u>	<u>973,208</u>
<i>Trade account payable - related party</i>			
<i>Subsidiary</i>			
United Palm Oil Industry Public Company Limited	-	28,500,085	12,859,680
Total trade account payable- related party	<u>-</u>	<u>28,500,085</u>	<u>12,859,680</u>

7. INVENTORIES

(Unit : Baht)

	Consolidated	The Company Only	
	2003	2003	2002
Finished goods	137,609,066	106,408,748	78,719,700
Work in process	415,926,842	425,206,252	292,257,537
Raw materials	22,990,431	22,990,431	39,665,832
Supplies and spare parts	28,393,945	20,687,195	26,421,722
Total	604,920,284	575,292,626	437,064,791
Less : Allowance for stock obsolescence and diminution in value of inventories	(7,621,911)	(1,104,290)	(1,136,375)
Inventories - net	597,298,373	574,188,336	435,928,416

8. INVESTMENT IN RELATED PARTY ACCOUNTED FOR UNDER EQUITY METHOD

(Unit : Baht)

Company's name	Type of business	Paid-up share capital		Equity interest		Investment				Dividend received	
		2003	2002	2003	2002	Cost method		Equity method		2003	2002
				Percent	Percent	2003	2002	2003	2002		
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	324,050,000	324,050,000	66.29	24.40	698,505,933	325,635,240	620,634,249	239,416,070	57,249,894	31,571,116
Total investment in related party accounted for under equity method						698,505,933	325,635,240	620,634,249	239,416,070	57,249,894	31,571,116

As discussed in Note 2 to the financial statements, the Company had during 2003 acquired additional investment in United Palm Oil Industry Public Company Limited, which led to an increase in the shareholding percentage from 24.40% to 66.29% and the change in the status of that company from associate to subsidiary. Share of profit from investment accounted for under equity method of approximately of Baht 64.5 million was recognised by the Company the year ended 31 December 2003 (2002 : Baht 7.8 million). Share of profit from investment as from the date of the change of status from associate to subsidiary was eliminated from the consolidated financial statements.

9. OTHER LONG-TERM INVESTMENTS

	(Unit : Baht)		
	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
<u>Equity securities</u>			
Open-ended Kumlai Perm Poon Fund	1,000,000	1,000,000	1,000,000
TCM Equity Fund (formally known as Thaiorchid Fund)	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000
Bangkok Bank Fund	16,853,850	-	-
Total	18,353,850	1,500,000	1,500,000
Less : Unrealised loss from other long-term investments	(3,217,143)	(533,293)	(1,043,749)
Other long-term investments - net	15,136,707	966,707	456,251

	(Unit : Baht)		
	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
<u>Unrealised loss from long-term investments</u>			
Portion of the Company	533,293	533,293	1,043,749
Portion of the subsidiary	2,683,850	-	-
Total	3,217,143	533,293	1,043,749
Unrealised loss attributable to the Company's investment and minority interests	(904,726)	1,779,124	2,542,199
Unrealised loss from long-term investments	2,312,417	2,312,417	3,585,948

10. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	Consolidated							
	Land	Cost of forest land rights & plantation development costs	Building & improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture & fixtures and office equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost								
31 December 2002	30,758,625	-	232,023,308	593,626,452	26,291,449	27,603,217	553,615	910,856,666
Property, plant and equipment - subsidiary	123,159,615	450,137,861	151,570,818	242,766,180	19,405,839	65,709,458	52,750,503	1,105,500,274
Purchases	154,937	-	-	8,884,260	1,526,992	13,818,486	67,170,447	91,555,122
Disposals	(5,904)	-	(187,147)	(6,833,673)	(1,190,486)	(3,740,515)	-	(11,957,725)
Transfer in (out)	-	-	1,891,270	44,843,031	628,056	(2,800,000)	(44,562,357)	-
31 December 2003	154,067,273	450,137,861	385,298,249	883,286,250	46,661,850	100,590,646	75,912,208	2,095,954,337
Accumulated depreciation								
31 December 2002	-	-	122,343,180	308,270,102	21,981,252	17,278,829	-	469,873,363
Accumulated depreciation - subsidiary	-	245,714,020	78,174,333	147,492,181	15,011,940	46,922,231	-	533,314,705
Depreciation charge for the year	-	18,014,116	16,539,970	55,650,618	3,758,599	10,453,974	-	104,417,277
Depreciation - disposals	-	-	(132,410)	(4,330,926)	(1,137,758)	(3,731,374)	-	(9,332,468)
31 December 2003	-	263,728,136	216,925,073	507,081,975	39,614,033	70,923,660	-	1,098,272,877
Allowance for assets impairment								
31 December 2002	-	-	-	-	-	-	-	-
Allowance for assets impairment - subsidiary	14,487,948	-	-	-	-	-	-	14,487,948
31 December 2003	14,487,948	-	-	-	-	-	-	14,487,948
Net book value								
31 December 2003	139,579,325	186,409,725	168,373,176	375,341,329	7,910,763	29,666,986	75,912,208	983,193,512
Depreciation (included in the consolidated earnings statement)								
Depreciation charge for the year 2003								104,417,277
Less : Depreciation charge before the date of the change of status from associate to subsidiary								22,291,075
								82,126,202

(Unit : Baht)

The Company Only

	Land	Building & improvement	Machinery, factory equipment and waste water treatment	Furniture & fixtures and office equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost							
31 December 2002	30,758,625	232,023,308	593,626,452	26,291,449	27,603,217	553,615	910,856,666
Purchases	-	-	7,037,425	284,307	4,378,486	11,844,801	23,545,019
Disposals	-	(69,258)	(3,911,558)	(589,978)	(2,360,515)	-	(6,931,309)
Transfer in (out)	-	107,437	10,622,628	1,116,105	-	(11,846,170)	-
31 December 2003	30,758,625	232,061,487	607,374,947	27,101,883	29,621,188	552,246	927,470,376
Accumulated depreciation							
31 December 2002	-	122,343,180	308,270,102	21,981,252	17,278,829	-	469,873,363
Depreciation charge for the year	-	8,906,954	34,433,206	1,937,114	3,749,423	-	49,026,697
Depreciation - disposals	-	(14,561)	(2,218,006)	(585,463)	(2,351,399)	-	(5,169,429)
31 December 2003	-	131,235,573	340,485,302	23,332,903	18,676,853	-	513,730,631
Net book value							
31 December 2002	30,758,625	109,680,128	285,356,350	4,310,197	10,324,388	553,615	440,983,303
31 December 2003	30,758,625	100,825,914	266,889,645	3,768,980	10,944,335	552,246	413,739,745

Depreciation (included in the earnings statements)

2002	48,586,097
2003	49,026,697

The total area of the subsidiary's plantations amounts to approximately 23,193 rai, of which 8,837 rai is supported by land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). The remaining land was acquired through the transfer of land possession and is not supported by any land rights documents.

As at 31 December 2003, certain equipment items of the Company and subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 338 million and for the Company amounted to Baht 219 million (2002 : Baht 199 million).

11. SHORT-TERM LOANS FROM BANK

As at 31 December 2003, the Company had short-term loans from banks totaling Baht 170 million, carrying interest at the rates of 1.75 - 2% per annum.

12. LONG - TERM LOAN

(Unit : Baht)

	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
Long - term loan	270,000,000	270,000,000	-
Less : Current portion of long-term loan	<u>(77,142,857)</u>	<u>(77,142,857)</u>	-
Long - term loan - net of current portion	<u>192,857,143</u>	<u>192,857,143</u>	-

During the year 2003, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 370 million (credit facilities provided under the agreement amounted to Baht 600 million) to acquire investment in an associated company as discussed in Note 2 to the financial statements. The loan is repayable every 6 months in 8 semiannual installments, commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFIX plus applicable margin within the applicable period agreed with the bank. The Company repaid for the loan of Baht 100 million during the year and as at 31 December 2003 there was the outstanding loan balance of Baht 270 million.

Under the loan agreement, the Company has to comply with certain covenants and restrictions normally required by the bank, which include dividend payment policy, and the pledge of assets other than permitted encumbrances.

13. STATUTORY RESERVE

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered share capital. The statutory reserve could not be used for dividend payment.

During the year 2003, the Company set aside a statutory reserve of approximately Baht 10.9 million (2002 : Baht 6.3 million).

14. TREASURY STOCK

	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
Number of shares (shares)	8,200,000	8,200,000	6,494,500
Average price per share (Baht)	15.56	15.56	15.80

By the resolution of the Company's board of directors meeting held on 12 November 2002, the Company was approved to repurchase its shares in order to manage its excess cash under the share repurchase scheme, with an investment amount not exceeding Baht 150 million or in term of shares repurchased not exceeding 8.2 million shares, equivalent to 10% of the total issued and paid-up shares of the Company. The period for the resale of share is from 1 December 2003 to 30 November 2006 (after 6 months from the completion date of share repurchase and not later than 3 years from this time). In the event that the Company does not or is unable to dispose all the repurchased shares with the determined period starting from the share repurchase date, and when the due date has passed, the Company shall reduce its paid-up capital by writing-off the remaining unsold repurchased shares.

15. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

16. CORPORATE INCOME TAX

Corporate income tax of the Company and its subsidiary for the year has been calculated from the earnings of the operations which are not entitled to corporate income tax exemption privileges from the Board of Investment, after deducting shares of profit from investment accounted for under the equity method and adding back expenses which are disallowable for tax computation purposes.

17. DIVIDEND PAYMENT

On 7 August 2003, the meeting of the board of directors No. 6/2003 passed a resolution to approve the payment of interim dividend from the operating results for six-month period ended 30 June 2003 to the Company's shareholders at Baht 1 each, totaling approximately Baht 73.8 million.

On 7 August 2003, the meeting of the board of directors No. 6/2003 passed a resolution to approve the payment of interim dividend from the operating results for six-month period ended 30 June 2003 to a subsidiary's shareholders at Baht 2.5 each, totaling approximately Baht 81.0 million.

On 3 April 2003, the annual general meeting of the Company's shareholders passed a resolution to approve the payment of dividend from the operating results for the year ended 31 December 2002 to the Company's shareholders at Baht 1 each, totaling approximately Baht 75.2 million.

On 28 April 2003, the annual general meeting of a subsidiary's shareholders approved the payment of dividend from the operating results for the year ended 31 December 2002 to their shareholders at Baht 0.45 each, totaling approximately Baht 14.5 million.

On 9 April 2002, the annual general meeting of the Company's shareholders passed a resolution to approve the payment of dividend from the operating results for the year ended 31 December 2001 to the Company's shareholders at Baht 1.5 each, totaling Baht 123 million. A final dividend of Baht 0.5 per share amounting to a total of Baht 40.1 million was paid on 25 April 2002. The Company did not pay the dividend to 1,748,224 ordinary shareholders because the shareholders did not comply with the Regulation of Thailand Securities Depository.

18. PROVIDENT FUND

The Company, its subsidiary, and their employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act (B.E. 2530). The funds are contributed by both employees and the Company and the subsidiaries. The funds are managed by Thai Farmers Assets Management Co., Ltd. and will be paid to an employee upon termination in accordance with the rules of the Company's and the subsidiary's staff provident funds.

During the year 2003, total contributions of approximately of Baht 4.9 million had been contributed to the funds by the Company and the subsidiary, and Baht 2.9 million had been contributed by the Company (2002 : Baht 1.0 million).

19. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated	The Company Only	
	<u>2003</u>	<u>2003</u>	<u>2002</u>
Number of employees at the end of year (persons)	1,396	470	484
Employee costs for the year (Thousand Baht)	286,790	161,928	146,344

20. PROMOTIONAL PRIVILEGES

The Company and a subsidiary have been granted promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment in respect of manufacturing of kernel palm oil, palm oil and coconut oil. Subject to certain conditions, the privileges include exemption from corporate income tax on profits from the promoted activities for a period of eight years, commencing from the date of first earning operating income. Profits derived thereafter from the promoted activities will be subject to income tax at a reduced rate of fifty percent of the normal tax rate for a further period of five years.

The subsidiary's income tax exemption privileges provided under the promotion certificate No. 1044/2537 expired on 19 August 2002, and as provided under the certificate, the profit derived from the promoted activities will be subject to income tax at half of the normal rate until the year 2007.

During the year 2003, such subsidiary was granted various additional tax privileges under the Investment Promotion Act B.E. 2520, as authorized by the Board of Investment under investment promotion certificate No. 1331(2)/2546 dated 4 July 2003, for manufacture of crude palm oil and palm kernels with the new machinery, up to a capacity of 30 tons of fresh fruit bunches per hour. Subject to certain conditions, the privileges include exemption from corporate income tax on profits from the promoted activities for a period of eight years from the date of first earning operating income, up to a maximum of 100 percent of the amount invested, excluding land and working capital.

Revenues, divided between promoted and non-promoted activities, of the Company and its subsidiary for the years 2003 and 2002 were as follows :-

(Unit : Thousand Baht)

	Consolidated			The Company Only					
	2003			2003			2002		
	Promoted	Non-promoted	Total	Promoted	Non-promoted	Total	Promoted	Non-promoted	Total
Sales									
Domestic sales	212,382	3,060,622	3,273,004	126,636	2,998,290	3,124,926	89,616	2,239,673	2,329,289
Export sales	24,679	191,698	216,377	24,679	191,698	216,377	30,490	273,765	304,255
Total	<u>237,061</u>	<u>3,252,320</u>	<u>3,489,381</u>	<u>151,315</u>	<u>3,189,988</u>	<u>3,341,303</u>	<u>120,106</u>	<u>2,513,438</u>	<u>2,633,544</u>

21. BANK GUARANTEES

As at 31 December 2003, there were outstanding bank guarantees of approximately Baht 7.1 million (The Company Only : Baht 6.2 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their business.

22. COMMITMENTS

As at 31 December 2003, the Company and its subsidiaries had the significant outstanding commitments as follows :-

22.1 Capital expenditure from agreements and issuing purchase orders for equipment including services payable in the future amounting to approximately Baht 0.5 million and Euro 0.1 million (The Company Only : Baht 0.5 million).

22.2 Commitments in respect of lease and service agreements payable in the future of approximately Baht 1.2 million and Euro 0.06 million (The Company Only : Baht 1.2 million and Euro 0.06 million).

23. CONTINGENT LIABILITIES

In 2001, a subsidiary company received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that the land with an area of 8,600 rai covered by the concession previously granted to the subsidiary company by the Forestry Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the company to enter into a land lease agreement for a period of 3 years, commencing 1 January 2001, and to pay retroactive land rental for the years 1991 to 2000, amounting to approximately Baht 12 million. The subsidiary company has not yet recorded such rental in the accounts as it is in the process of negotiating with the relevant government agencies.

24. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and its subsidiaries involve a single industry segment, namely, crude palm oil and crude palm kernel oil processing. These activities are carried on in the single geographic area in Thailand. Accordingly, revenues, earnings and assets as reflected in these financial statements pertain to the industry segment and geographic area as mentioned above.

25. FINANCIAL INSTRUMENTS

Financial risk management and policies

The Company and its subsidiaries are exposed to risks from changes in market interest rates and in currency exchange rates and from nonperformance of contractual obligations by the counterparties. The Company and its subsidiaries use derivative instruments, as and when they consider appropriate, to manage such risks. However, the Company and its subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's and its subsidiaries' operations and their cash flows. The Company's and its subsidiaries' exposure to the interest rate risk relates primarily to deposits at banks and loans from banks. Since most of these financial assets and liabilities carry interest at the rates following the market interest rates, the management believes that the future movements in market interest rates will not significantly affect the results of the operations. As at 31 December 2003, the Company and its subsidiaries had deposits with financial institutions totaling approximately Baht 202 million (the Company Only : Baht 47 million), bearing interest at rates of 0.25 - 1.25% per annum. The Company obtained short-term and long-term loans from banks as discussed in the 11 and 12 to the financial statements.

Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk relates primarily to receivables and payables which are denominated in foreign currencies. The Company and its subsidiaries do not utilise forward exchange contracts to hedge such risk since the amounts were insignificant.

Below is the summary of Company's and its subsidiaries' foreign currency-denominated assets and liabilities as at 31 December 2003, which were unhedged.

Foreign currency	Consolidated		The Company Only		Average exchange rate at 31 December 2003 (Baht per 1 foreign currency unit)
	Assets	Liabilities	Assets	Liabilities	
US dollar	141,433	140,288	141,433	63,684	39.5907
Euro	-	12,920	-	12,920	49.7664

Credit risk

The Company and its subsidiaries are exposed to credit risk with respect to trade accounts receivable in the normal course of business. Since the majority of sales are supplied to credit worthy customers, the Company and its subsidiaries do not anticipate any losses from their debt collection.

Fair value

Since the majority of the financial assets and liabilities are short-term and that the loans carry interest at rates close to current market rates, the management believes that the fair value of the Company's and its subsidiaries' financial assets and liabilities does not materially differ from their carrying value.

26. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001 as empowered under the Accounting Act B.E. 2543.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.