



Industry Overview

Since the end of 2013 the nationwide CPO stock had decreased continuously from 384,818 MT in January to 203,999 MT in December. It dropped to the critical level at 154,349 MT in February 2014. CPO price rose to as high as 35.50 Baht/Kg. As a consequence, producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price in line with the higher raw material cost. On 28 February 2014, the Office of Agricultural Economics called a meeting with the Thai Oil Palm Board to discuss the situation, and to consider the importation of CPO. However, taking into consideration the fact that the crop season had just started and given the expectation of higher FFB output, it was decided to hold back the CPO importation. Furthermore, the Ministry of Energy announced that the proportion of CPO to be blended into diesel would be reduced from B5 to B4 effective 1 February 2014, and B7 implementation would be delayed, to mitigate the effect on food industry and the price pressure.

Later, more FFB output started to come onstream in Q2, even reaching the record high at 1.58 million MT in May. The State Government then announced the proportion of CPO to be blended into diesel would be raised from B4 to B7 to absorb supply of 80,000 MT/month. At the year end, there was less FFB output, falling to only 390,582 MT in December 2014. This reduced the nationwide palm oil stock to 167,591 MT which began critical again. Therefore, the Cabinet on 20 January 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

Company's Performance

In 2014 CPO price, the major raw material of your Company, kept increasing at the higher proportion than selling price. Moreover, bottled palm olein is subject to price control by the Internal Trade Department. The Company could not adjust the selling price freely to align with the raw material cost. For the reasons mentioned above, Q1/2014 gross profit of your Company fell by more than half to 98 million Baht (Q1/2013 : 208 million Baht) and net profit of Q1/2013 at 103 million Baht turned into a net loss of 13 million Baht, or down 112.44%. Furthermore, in 2014 a subsidiary paid out less dividend than previous years to reserve cash for land investment. As a consequence, the overall operating performance of your Company deteriorated, recording a net profit of 280.5 million Baht, a decrease of 27.2% (2013 : 385.4 million Baht); notwithstanding a higher revenue of around 6,931.7 million Baht, increasing by 18.3% (2013 : 5,859.34 million Baht).

As for United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, its operating performance was lower when compared with 2013. FFB crops from its own plantations and concession lands reduced by 19.1% from 2013 due to land issues. In 2014, UPOIC recorded a lower net profit at 185 million Baht (2013 : 221 million Baht) on revenue of 1,171 million Baht (2013 : 1,352 million Baht).

The product development and marketing initiatives at Universal Food Public Company Limited, a 98.76% subsidiary of the Company, have begun to bear fruit. This is reflected in its significantly improved financial performance. The sales revenue of 1,838.8 million Baht represents a 7.6 % increase (2013 : 1,708.9 million Baht). The net profit of 91.3 million Baht is 146.96% higher (2013 : net loss of 194.4 million Baht from loss on impairment of assets at a subsidiary amounting to 105.7 million Baht). The main driver was the export of coconut water to various markets, including the United States, United Kingdom and New Zealand.

Overall, the consolidated net profit improved from 250.3 million Baht in 2013 to 380.7 million Baht, or a decrease of 52.07%.

Production and Investment

Your Company's Bangpoo refinery has budgeted an investment of 400 million Baht to improve the productivity of its packing line; this is targeted to complete in 2H/2015. It would invest an additional 31 million Baht to install a new vacuum system to eliminate odor and save energy cost.

Marketing

In 2014, price competition in the palm oil business intensified; your Company continued to control cost and emphasise brand building through television and in-store media. The Company received the symbol of THAILAND TRUST MARK (TTM) from the Department of International Trade Promotion (DITP), Ministry of Commerce. This mark, which guarantees that YOK Vegetable Oil has been chosen as a quality product from Thailand, provides a marketing opportunity to build trust in consumers' mind, not only in Thailand but worldwide. Regarding Naturel Brand, we continuously communicate to those who value health through television media and direct to consumer in supermarket and office buildings. For margarine and special fats categories, your Company launched the multipurpose - chocolate under "Daisy" brand for bakery application to strengthen the bakery channel business.

Following the successful in-roads into a various export markets, UFC Refresh 100% Coconut Water in the new 1 liter Prisma Pack was launched in the domestic market. As part of the marketing support plan, UFC Refresh 100% Coconut Water was featured in several outdoor activities including The Mall Inter Bicycle Show (August 2014), Bangkok Post Mini-marathon (August 2014), Central Group Run (September 2014), Bangkok Car-Free Day (September 2014) and others. Consumer gave positive feedback on the naturally good taste of the product.

Responsibility to Community, Society and the Environment

Your Company recognises the importance of community, social and environmental responsibility together with conducting the business. The major projects which have been always conducted on every year include:-

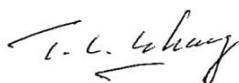
- Local activities to enhance your Company's image and develop relationship between its crushing mill and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation for various occasions
- Held the meeting to promote Roundtable on Sustainable Palm Oil (RSPO) Smallholder to palm farmers, and to educate the principles and criteria of RSPO standards according to the Company's project to promote the sustainable plantation, to focus on the fruit quality to supply to the mill, and to measure for the land ownership of farmers in order to conform to the RSPO standard.

Human Resources and Corporate Culture

Our employees are a valuable resource. We are committed to developing the potential of all employees to become professionals under code of business conduct and moral standards including to work under five aspects of organisational culture.

1. "Can Do" attitude
2. Accountability
3. Team work
4. Take care of people
5. Continuous improvement

We wish to express my sincere thanks and appreciation to the Board of Directors, our Management team, employees, customers, and all stakeholders for rendering their full-fledged support to the Company for all these years. You all are a crucial part of Lam Soon today's eminent standing in the palm oil business in the Kingdom. We look forward to your continued support as the Company seeks to grow further in Thailand.



Mr. Whang Tar Liang
Chairman



Ms. Anchalee Suebchantasiri
Managing Director

Note from the Chairman, Mr. Whang Tar Liang

The time has come for me to step down as the Chairman of your Company at the age of 88 for management renewal in 2015. I started my professional life in palm oil over 50 years ago and have been involved with Lam Soon (Thailand) Plc. since 1994. I am gratified to be a part of Lam Soon's success story from a struggling start up to an established, vertically integrated palm oil company. I am confident that the present management team will continue to build on the Company's success to date and enhance its reputation for quality and integrity among its stakeholders.