



**Malee**<sup>®</sup> BRAND

**The Fruit Expert**

รายงานประจำปี 2550  
Annual Report 2007

บริษัท มาลีสามพราน จำกัด (มหาชน)  
Malee Sampran Public Company Limited



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## Financial Summary

Unit Million Baht

	2007	2006	2005
TOTAL REVENUE	4,068	4,163	3,730
SALES REVENUE	4,004	4,099	3,676
GROSS PROFIT	667	748	633
NET EARNINGS	(93)	26	5
EARNINGS PER SHARE	(1.3)	0.4	0.1
BOOK VALUE PER SHARE	0.7	2.1	1.7
TOTAL ASSETS	2,343	2,293	2,038
TOTAL LIABILITIES	2,292	2,148	1,921
SHAREHOLDERS' EQUITY	52	144	118

### SIGNIFICANT FINANCIAL RATIO

#### LIQUIDITY RATIO

		2007	2006	2005
CURRENT RATIO	Time	0.6	0.6	0.6
QUICK RATIO	Time	0.3	0.3	0.3
CASHFLOW FROM OPERATION RATIO	Time	0.1	0.1	0.2
A/R TURNOVER RATIO	Time	8.2	9.1	9.6
AVERAGE COLLECTION PERIOD	Days	43.8	39.5	37.7
INVENTORY TURNOVER RATIO	Time	5.3	5.7	4.8
AVERAGE AGE OF INVENTORY	Days	67.8	63.6	74.5
A/P TURNOVER RATIO	Time	2.9	3.2	3.0
AVERAGE PAYMENT METHOD	Days	125.2	114.1	121.8
CASH CYCLE	Days	(13.6)	(11.1)	(9.6)

#### PROFITABILITY RATIO

GROSS PROFIT RATIO	%	16.6	18.2	17.2
NET PROFIT RATIO	%	(2.3)	0.6	0.1
RETURN ON EQUITY RATIO	%	(94.4)	19.9	4.0

#### EFFICIENCY RATIO

RETURN ON ASSETS RATIO	%	(4.0)	1.2	0.2
RETURN ON FIXED ASSETS RATIO	%	(4.6)	15.5	15.3
ASSETS TURNOVER RATIO	Time	1.8	1.9	1.9

#### FINANCIAL POLICY RATIO

DEBT TO EQUITY RATIO	Time	44.3	14.9	16.3
DEBT SERVICE COVERAGE RATIO	Time	3.0	4.3	7.2
DIVIDEND PAYOUT RATIO	%	0.0	0.0	0.0



Malee Fruit Expert



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## | Message from the Honorary Chairman |

Year 2007 was another challenging year of the company to put high competence and effort into struggling with many obstacles from the internal factors such as the unstable political environment and external factors such as the considerably rising oil price, the weakening US dollar as a result of the emerging trend of recession in the United States . All of the mentioned factors had an impact on the industry outlook.

For the company, it was inevitably to avoid such negative impacts as reflected in the company's performance for the first half of year 2007. For the second half however, the company's management tried to implement many strategies to enhance the performance to the satisfactory level.

In this opportunity, I wish the Board of Directors, Managements and staffs to successfully achieve their objectives and bring the growth to the company.



Mr. Vanchai Chirathivat  
The Honorary Chairman

## | Message from the Chairman |

The ongoing Baht appreciation against US dollar, the rise of fresh pineapple cost resulting from lower pineapple supply, and the lower selling price adjustment compared with the significant increasing cost, contributed to the company's short fall of attaining our business target.

The company strived to fix these problems through cost reduction plans i.e. using biogas produced from waste water instead of fuel which helped reducing the global warming effects, improving logistic cost management, and improving the production line to raise yield and efficiency of fixed costs. We have also prepared projects to increase the value of waste products.

Furthermore, the company aggressively increased the domestic sales portion of canned fruits and fruit juices. We successfully improved current products and launched new ones in order to respond to consumers' needs of all ages i.e. redesigning of packaging, introducing more healthy products as well as expanding the lines of UHT and pasteurized Chokchai milk. We also began to reform our distribution by integrating into new channels which allowed the company to sustain growth and satisfactory profit.

The actions taken since the mid of 2007 mentioned above led the company's performance in the fourth quarter to improve considerably. This year was considered to be a successful year of Malee Brand products. In August 2007, Malee Brand was selected in Hong Kong to be one of the top 20 leading brands in Thailand from the survey of Media Magazine, Asian Integrated Media, a regional brand consultant, and Synovate, a global marketing research company. In addition, Malee brand was awarded Trusted Brand from the survey of Reader's Digest for the fifth consecutive year.

In 2008, the company expects to benefit from the revoke of the US antidumping of canned pineapple from Thailand, but to be challenged from the strengthening of Thai Baht and the decision of the EU to withdraw the Price Undertaking agreement of sweet corn products.

Last, I would like to thank the shareholders, our valued customers, business partners, financial institutions, as well as employees, the management team, and board of directors for your ongoing support. Your continual support will help drive the company forward to achieve our business target and to attain growth and success.



Chatchai Boonyarat

Chairman

Malee Sampran Public Company Limited



## | General Information |

### Malee Sampran Public Company Limited. Registration number 0107535000079

401/1 Phaholyothin Road, Lumlookka, Pathumthani 12130, Thailand

Tel. 662 992 5800 (16 lines), Fax. 662 992 5850 (central office), 662 992 5818 - 9 (export sales)

http : //www.malee.co.th, E - mail : msc@malee.co.th

**The manufacturer and distributor of Canned Fruits, Canned Sweet Corn, Canned Pineapple, Pineapple Juice Concentrate, UHT Fruit Juices and Beverages.**

Ordinary Share allotment 70,000,000 share of Baht 10 par value

### Malee Enterprise Company Limited.

Abico Building, 3th Floor, 401/1 Phaholyothin Road, Lumlookka, Pathumthani 12130, Thailand.

Tel. 662 992 5821 - 32, Fax. 662 992 5833 (central office), 662 992 5834 - 5 (sales)

http : //www.malee.co.th, E - mail : mec@malee.co.th

**The distributor of Canned Fruits, UHT and Pasteurized Fruit Juices, UHT and Pasteurized Milk, and Beverages.**

Share allotment 10,000,000 ordinary share of Baht 10 par value.

Number of shares held by the Company 9,998,800 shares (99.99%)

### Malee Supply Company Limited.

Abico Building, 3th Floor, 401/1 Phaholyothin Road, Lumlookka, Pathumthani 12130, Thailand.

Dormant.

Share allotment 175,000 ordinary shares of Baht 10 par value. Number of shares held by the company 170,800 shares held by the Company 170,800 shares (97.6%)

### Icon Foods, LLC.

8070 La Jolla Shores Drive # 465

La Jolla, CA 92037

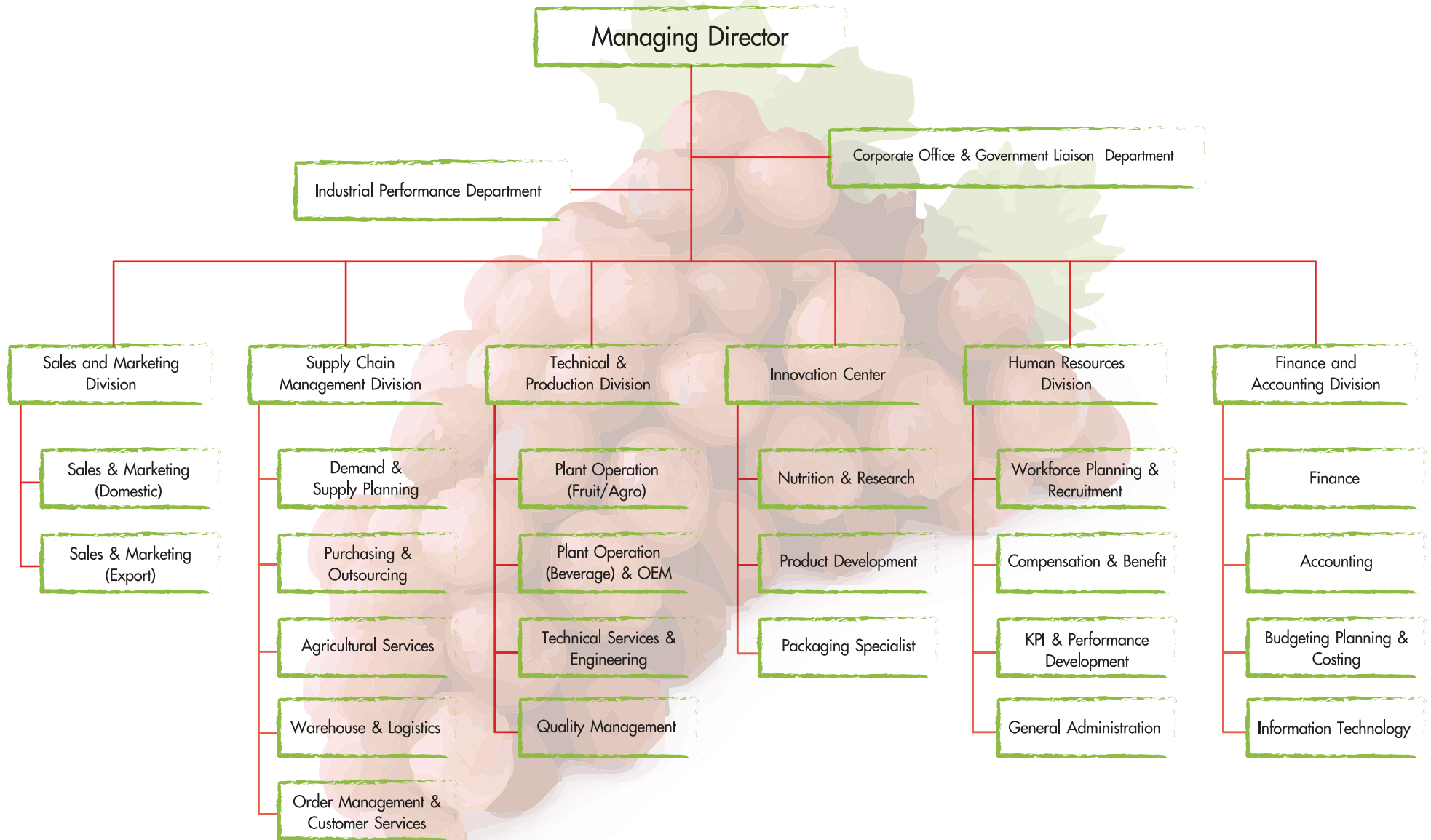
Tel. 1 858 456 3929, Fax. 1 858 777 3447

Dormant.

Importer of Canned pineapple

Paid up capital USD 50,500. Number of shares held by the Company 99%

# Organization Chart





## | Nature of Business |

**Malee Sampran PCL** is the manufacturer and distributor of processed agricultural products to both domestic and abroad. The main business is divided into 2 areas :

- **Processed fruit business** : canned pineapple fruits, canned pineapple pouch pack, pineapple juice concentrate, canned sweet corn, canned tropical fruit cocktail, canned seasonal fruits (rambutan, lychee, longan, mango, etc.).
- **Beverages business** : UHT and pasteurized fruit juice and veggies, tea, coffee and drinking water incan, UHT, plastic bottle (PET) under “Malee” and clients’ trademarks. Including UHT and pasteurized milk under Chokchai Farm trademark.

The company secured its raw material supplies through the contract farming in order to ensure sufficient and quality of the raw material supplies and to meet the demand of customers as well as the controlled quality according to the standards of GMP, HACCP, BRC, IFS, from SGS Yarleys and Q-MARK of The Federation of Thai industries.

**Malee Enterprise Company Limited** is the subsidiary responsible for domestic marketing and distribution of all products, directly and through agents nationwide.

Main products distributed by **Malee Enterprise Company Limited** are :

1. Canned fruits under “Malee” and “First Choice” brands
2. Canned, UHT and pasteurized fruit juice and drinking water under “Malee” brand
3. “Sweet Corn Milk” Milk Drink under Malee I-Corn Brand
4. “Chokchai Farm” UHT and pasteurized milk

With effective marketing and never-ending product development of Malee Enterprise Company Limited, Malee brand has positioned itself in consumer’s mind for over three decades now and is known as the maker leader of canned fruit and fruit juice in Thailand all along.

### Major change in the past year

To serve all customers’ needs and life styles, the company until now has been focusing on new product development which emphasizes on innovative researches and technologies. Last year, the company has launched several of innovative products as following :

- 100% UHT Fruit Juice packed in new packaging “Prisma brik” – This new packaging is eye - catching to modern life - style consumers as well as brighten the Malee Brand, in the mean time, always keep fresh for products inside.

- 100% UHT Healthy Fruit Juice – To reach the needs of health conscious consumers, the company has launched 2 kinds of healthy fruit juice which are 100% Prune mixed Apple juice (hi - vitamin A, Fiber, and Folate), and 100% Raspberry mixed Strawberry juice (hi - vitamin A and C).
- 100% Veggies V9 – The most outstanding of mixed fruit and vegetable juice than others in present market because of its prominent point of 9 sources of vitamins and minerals namely vitamin A, C, E, B2, B6, Niacin and Folate, Calcium and Fiber. V9 is provided in 4 flavors which are purple carrot, red beet, kiwi and carrot.
- 100% Pasteurized Fruit Juice - Malee pasteurized fruit juice has been well accepted by consumer also rapidly increasing the market share. In 2007, therefore, the company has launched several new products to serve market expansion i.e. 100% Pasteurized tomato mixed fruit juice, 100% Pasteurized Florida orange juice, 100% Pasteurized cranberry mixed white grape juice, 100% Pasteurized gold kiwi mixed apple and white grape juice, and 100% Pasteurized blackcurrant mixed strawberry and red grape juice.
- Malee Self Plus - A beauty drink, new concept of fruit juice which offers more benefit than fruit juice in general. Malee Self Plus has blended all the uniqueness of varieties of multi - fruits in one. There are 3 flavors; 1) 60% strawberry mixed fruit juice that compose of high fiber contents to promote gut - flora and digestive system and also for slimming shape, 2) 60% mixed berries juice with high vitamin A that good for eyesight and 3) 60% tomato mixed fruit juice with high Lycopene for healthy skin.
- Malee Juize Mix – A new taste of 40% fruit juice which has perfectly blended of 2 varieties of fruits and high in fortified vitamin A, C, E. It is tasty with reasonable price for modern teenagers who are looking for better health. There are 4 flavors i.e. 40% orange mixed carrot, 40% apple mixed blueberry, 40% grape mixed apple and 40% strawberry mixed pineapple.
- Malee Juize Mix Kids – A 40% fruit juice with high vitamin C in size of 120 ml. for kids between ages of 4 - 12 years, provided in 4 flavors i.e. 40% orange mixed carrot, 40% apple mixed blueberry, 40% grape mixed lychee and 40% strawberry mixed pineapple.
- Malee I - Corn – The new choice of daily life consumption with pleasant taste and good aroma of corn. Malee I - Corn produces from selective sweet corns aged 68 days. Malee I - Corn is rich in vitamin A and E. Besides, it contained essential nutrients to the eyesight which are Lutein and Zeaxanthin that found in retina and cornea which would deteriorate after long hours' use. Human body cannot reproduce them. Malee I - Corn is provided in size of 180 ml with 5 flavors i.e. original, no sugar, black sesame, 5 nutrients, and chocolate malt flavored.



## | Revenue Structure |

	2007		2006		2005	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic	2,611	65.34 %	2,340	57.37 %	2,096	57.38 %
Export	1,385	34.66 %	1,739	42.63 %	1,557	42.62 %
<b>Total Sales</b>	<b>3,996</b>	<b>100.00 %</b>	<b>4,079</b>	<b>100.00 %</b>	<b>3,653</b>	<b>100.00 %</b>

Remarks : Export sales are F.O.B. value. Sales in financial statements include F.O.B, C&F, C.I.F.



## | Shareholding Structure and Management |

### Major Shareholders as of December 31, 2007

No.	Name of shareholders	No. of share	Percentage
1	Thailand Securities Depository Co., Ltd., for Depositors	25,294,491	36.13%
2	Thailand Securities Depository Co., Ltd. for Depositors	22,556,200	32.22%
3	Abico Holdings Public Company Limited.	17,840,700	25.49%
4	Miss Siriluck Wittayanupong	3,150,000	4.50%
5	CDI Co., Ltd.	700,000	1.00%
	<b>Total</b>	<b>69,541,391</b>	<b>99.34%</b>

### Shareholding by the Directors as of December 31, 2007

Name	As of Dec 31, 2007	Amount Change	As of Dec 31, 2006
Mr.Chatchai Boonyarat	-	-	-
Mrs. Chintana Boonyarat	-	-	-
Mr. Prin Chirathivat	-	-	-
Mr. Kitti Vilaivarangkul	-	-	-
Mr. Pandit Mongkolkul	-	-	-
Mr. Narongchai Akrasanee	-	-	-
Mr. Mati Tungpanich	-	-	-
Mr. Khemadhat Sukondhasingha	-	-	-

## | Board of Directors |

<b>Mr. Chatchai Boonyarat</b>	<b>Chairman</b>
<b>Mrs. Chintana Boonyarat</b>	<b>Director</b>
<b>Mr. Prin Chirathivat</b>	<b>Director</b>
<b>Mr. Kitti Vilaivarangkul</b>	<b>Director</b>
<b>Mr. Pandit Mongkolkul</b>	<b>Director</b>
<b>Mr. Narongchai Akrasanee</b>	<b>Independent Director</b>
<b>Mr. Mati Tungpanich</b>	<b>Independent Director</b>
<b>Mr. Khemadhat Sukondhasingha</b>	<b>Independent Director</b>
<b>Remark : Mr. Therdpong Kanarak</b>	<b>The Secretary to the Board of Directors</b>



### The Authority and Duties of the Board of Director

The Board of Directors is comprised of Executive Director and Non - Executive Directors of the company. The Board of Directors has the power and duties to manage the Company in accordance with the laws, objectives, Articles of Association and resolutions of shareholder meetings. To perform in accordance with its authority and responsibilities, the Board of Directors may appoint director or directors or other persons to perform any tasks on behalf of directors. The Board of Directors shall hold a meeting at least once in every three (3) months. Two directors shall be authorized to sign with the Company's seal affixed in documents, instruments or other significant letters to bind the Company. The shareholders meeting or the meeting of the Board of Directors may determine and amend the directors' name authorized to sign to bind the Company with the Company's seal affixed. No director shall operate any business or become a partner in ordinary partnerships or become a partner with unlimited liability in limited partnerships or become a director of other juristic persons which have the same nature as and are in competition with the business of the Company, unless he notifies the shareholders meeting prior to the resolution for his appointment. A director shall notify the Company without delay if he has an interest in a contract entered into with the Company or holds shares or

debentures in an increased or decreased amount of the Company or an affiliate company. Specific management accountabilities are as follows :

- Review and assess the company's strategy, major operational plan, risk assessment policy, annual budget and business plans. Follows up on the implementation of the plans, monitors the company performance. Monitors major investment expenditure, including joint venture agreements, and divestment of business.
- Nominate, determine the remuneration for, and evaluate management performance on a regular basis, (or if necessary, terminate the management). Review to ensure continuous management succession plan.
- Review the remuneration for Directors and management. Ensure that the Nomination process is done officially and transparency.
- Ensure the controlling system for finance and accounting is reliable. Including the assurance that the internal audit, risk assessment, financial control, and legal compliance process are adequate.
- Audit and resolve the issues of conflict of interest among management, the Board of Directors, and shareholders. This must also includes the issues of misuse of the company's assets and inappropriate related party's transaction.

- Appoint a suitable qualified person as a Director. Ensure that the structure and operational procedures comply with good governance and appropriate ethical standards.

- The Directors should make decision for the company's business with good judgment, being independent from the influence from management and other beneficiary group. They should allocate adequate time for the business and be attentive in performing their duties according to their responsibility

### The Authority and Duties of the Audit Committee

- Reviewed the quarterly and annual financial statements with Company's management to present to the Board of Directors. To ensure the accuracy and creditability of the financial information as well as sufficient and timely disclosure of significant matters.

- Reviewed Company performance to ensure the Company's compliance with the securities and stock exchange laws, the Stock Exchange of Thailand's rules and regulations.

- Considered and supported the disclosure of any connected transactions which may cause conflicts of interest.

- To ensure that internal control system was performed properly and effectively.

- Considered and proposed the appointment of external auditor.

- Considered and approved the annual internal audit plan. Acknowledged the internal auditor's report, monitored the company's investment projects and provided useful recommendations

- Reviewed company risk management and made suggestion to help minimize those risks

### Nomination of Directors

The appointment of the Company's directors shall be made by the Shareholder meeting. The Directors of the

Company shall be a qualified person and not prohibited by law. The Board of Directors has a minimum of five directors appointed by the shareholder meeting. The selection criteria and procedures of the Board of Directors are provided below :

1. Each shareholder shall have a number of votes equal to the number of shares held.
2. The appointment of a director may be processed by voting to elect one or several persons as director or directors as deemed appropriate by the shareholder meeting. However, each shareholder must exercise all the votes he has under item 1 and cannot divide his votes to any person particularly.
3. The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be elected as directors equivalent to be elected. If there is a tie in the last to be elected and this exceeds the said number of directors, the presiding Chairman shall have an additional casting vote.

At the every annual general meeting of shareholders, one third of the directors shall be retired. If the number is not a multiple of three, then the number nearest to one - third shall be retired. A retiring director is eligible for re - election.

In the case of a vacancy on the Board of Directors for reasons otherwise than by rotation, the Board of Directors shall elect any person who is qualified and not subject to the prohibited qualifications under law on public limited company as the substitute director at the subsequent Board of Directors meeting, unless the remaining term of office of the said director is less than two (2) months. The aforesaid substitute director shall retain his office only for the remaining term of office of the director whom he replaces. The resolution of the Board of Directors under the first paragraph shall consist of votes of note less than three - fourths (3/4) of the remaining directors

## Remuneration for Directors and Management

Directors' remuneration in 2007, for 8 persons, was Baht 5,415,000. -

Management's remuneration in 2007, for 10 persons, was Baht 17,547,209.33

( as of 31 December 2007 total managements are 10 persons)

## Auditor Fees

Total auditors fees in 2007 is Baht 945,000

- The auditors fees of the company is Baht 660,000
- The auditor fees of the subsidiary company is Baht 285,000

## Good Governance

Policy on Corporate Governance

The Board of Directors of Malee Sampran Public Company Limited deems the good corporate governance as the Company's policy which contains principles and best practices as follows :

1. Operates with consideration to the rights and equality of shareholders and other stakeholders, such as employees, trading partners, community, and creditors, by :

- 1.1 Protecting the shareholders' interest, and treating all shareholders equally. Refrain from limiting shareholders to have access to the company information, and to attend shareholders' meeting.
- 1.2 Ensuring that those rights of the stakeholders are protected and well practiced.
- 1.3 Providing written documents to show the company's responsibilities to stakeholders.
- 1.4 Presenting the timely information on important issues, which have significant impacts to stakeholders. The reports must be presented with simplicity and consistency.

2. Structure, Roles, Duties, Responsibilities and Independence of the Board of Directors

- 2.1 The Board of Directors is comprised of Executive Director and Non - Executive Directors. A number of the Non - Executive

Directors will be assigned by the Board of Directors to independently review and give comments against the conflicts of interest, which may occur. The tasks are such as reporting on the company financial matters by the Audit Committee, nomination of Board members by the Nomination Committee, remuneration for Directors and the management by the Remuneration Committee.

2.2 To practice in accordance to the law, and the objectives, rules and regulations of Malee Sampran Public Co., Ltd.

2.3 Accountable to manage important and specific issues as follows :

- Review and assess the company's strategy, major operational plans, risk assessment policy, annual budget and business plans. Follows up on the implementation of the plans, monitors the company performance. Monitors major investment expenditure, including joint venture agreements, and divestment of business.
- Nominate, determine the remuneration for, and evaluate management

performance on a regular basis, (or if necessary, terminate the management). Review to ensure continuous management succession plan.

- Review the remuneration for Directors and management. Ensure that the nomination process is done officially and with transparency.
- Ensure the controlling system for finance and accounting is reliable. Including the assurance that the internal audit, risk assessment, financial control, and legal compliance processes are adequate.
- Audit and resolve the issues of conflict of interest among management, the Board of Directors, and shareholders. This must also include the issues of misuse of the company's assets, and inappropriate related party's transaction.
- Appoint a suitable and qualified person as a Director. Ensure that the structure and operational procedures comply with good governance and appropriate ethical standards.
- The Directors should make decision for the company's business with good judgment, being independent from the influence from management and other beneficiary group. They should allocate adequate time for the business and be attentive in performing their duties according to their responsibility.

### 3. Information disclosure and transparency :

To ensure that the Company properly discloses the significant information in time, and with transparency, the Board of Directors should provide an investor relation unit to represent the company in communicating with institutional investors, shareholders, general analysts and

state agencies concerned. The Board should provide adequate resources to develop knowledge and communication skill of the investor relation officer, so that the presentation could be made properly.

### 4. Controlling and risk management system.

The Board of Directors has the responsibility to identify risks in the business, and to ensure that the company has the process to manage the risks, by :

- 4.1 Providing an efficient internal control system, measures for operational control and to manage the risks. Attention must be given to the early warning signals.
- 4.2 Providing an efficient communication among independent auditors, shareholders, the Board of Directors, and the management, which have been linked altogether by the Audit Committee.
- 4.3 Internal Audit Office has significant roles in the management control and financial reporting system. The Company must set up the internal audit activities as a separate unit within the company.

### 5. Business Ethics :

The company should provide code of ethical conduct for all the Directors, management, and employees to ensure that they understand the standard practices as expected by the Company and stakeholders such as shareholders, trading partners, creditors, and community etc. The Board should fully support this code of ethics, and distribute to all employees.





## Code of Ethics

### Malee Group

Objectives of Malee Group are to produce goods of high quality, to be sold at reasonable prices, to establish relationship with all stakeholders, and to be responsible for the environment, community and society. The best practices are therefore set up as the guiding principle for the Directors, management, and employees.

## Control of Internal Information

The company has put in place a system where all company directors and management must report their share purchasing activities to ensure that they do not use insider information for personal gain in trading of Company shares. Furthermore, the Company has also informed all directors and management of the personal legal liabilities and punishment associated with such act.

## Employees

Number of Employees as at 31 December 2007	1,610 persons
Employee Costs for the year 2007	Bath 286,426,208

## I Industry Review and Trends in 2008 I

Thailand export value of canned pineapple and pineapple juice concentrate in 2007 has decreased by 1%\* and 19%\* respectively, due to the on-going Baht appreciation and lower pineapple fruit supply. The low price of fresh pineapple in 2006 and the switching of the farmer plantation to other plants such as Palm, Rubber and Tapioca are the major reasons of such low supply of fresh pineapple. However, the packers put much effort to increase the selling price but could not recover the significantly increasing cost. It is expected that the supply of pineapple in 2007 will be the same level or a little bit lower than the year 2007. In addition, the increasing costs and the strengthening of Baht would be challenging factors to the pineapple industry.

Thailand export value of canned sweet corn in 2007 has increased by 8%\* due to the good supply of fresh sweet corn and the expansion of export market in addition to the EU market which imposed the antidumping measures on prepared or preserved sweet corn in kernels originating in Thailand in June 2007. However, it is expected that the export of sweet corn in 2008 will continue to grow due to the good quality of Thai sweet corn.

### Vegetable and fruit juices business

Vegetable and fruit juices market has been continuously rising and cautiously optimistic over its prospects due to health-consciousness trend of present consumers. The 2007 market growth is classified as follows: Premium 100% grew by 14%,\*\* Pasteurized grew by 29%\*\* while UHT increased by 15%\*\*. A number of new products has been introduced in 2007 emphasizing on innovative products to serve consumers' needs, such as 4 new flavors for Pasteurized products, 100% tomato mixed vegetable and fruit juice, 100%; Florida Orange juice, 100% Cranberry mixed white grape juice, 100% Gold Kiwi mixed apple and white grape juice and 100% Blackcurrant mixed strawberry and red grape juice which are well accepted among target consumers. Furthermore the company has launched the new concepts fruit juices under Malee Self plus brand in order to response the needs of health and beauty. There are 3 flavors offering which are 60% strawberry juice mixed, fruit juice 60% Mixed berry and 60% tomato juice mixed fruit juice.

The increasing trend will be continued in 2008 as the consumers are looking for health-conscious products with special dietary needs benefits. The market will attract more new entries which driving the highly market competition. The company, therefore emphasizing on aggressive marketing strategies gaining a steep increase of both market growth and market share.

\* Source of information : The Customs Department

\*\* Source of information : AC Neilson

### Canned Fruit business

In 2007, canned fruit market grew by 12%\*\* while the company made impressive growth by 18%. The drivers are the premium product quality and intensive marketing activities. Moreover, the aggressive market activities have been introduced to gain more market share of “First Choice” and “Farmer” brand in medium segment.

The market growth of canned fruit in 2008 will be expected to continue growing at least 10%. The company will strengthen its leadership, targeting the minimum sales growth of 30%.

### Cereal Beverages business

Thailand's cereal beverage market was rose by 8%\*\* over 2006. The company grew by 14%, for this category due to consumer need to fulfill their health nutrition requirement. With the popularity of cereal beverages among Thai consumer, the market is expected to continue growing in upward trend. In order to capitalize the increasing trend, company will continuous develop new products in order to aggressively participate in health-conscious segment.

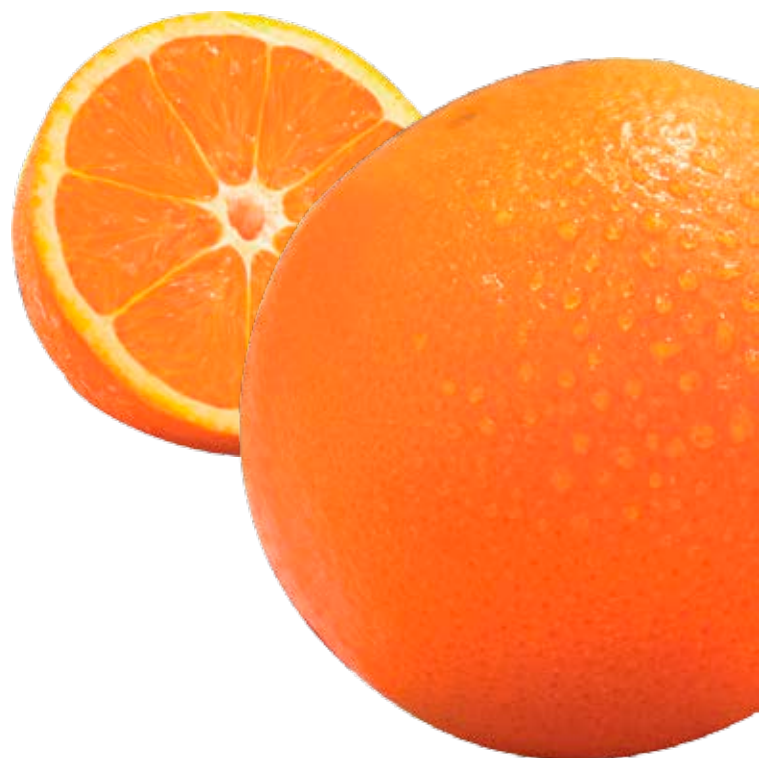
\* Source of information : The Customs Department

\*\* Source of information : AC Neilson

## I Internal Control System I

The Company has ensured to have the sufficiency of internal control system. The Company has its internal audit office responsible for the internal audit of the company, reporting directly to the office of the President. In addition, to promote the unit's independency in auditing operations of each department, the Board of Directors stipulates that the internal audit office reports its operations and activities to the Audit Committee. There were no irregularities and significant errors found in the year 2007.

**Malee** BRAND®



## | Related Transactions |

Please see notes to consolidated financial statements as at 31 December 2007 for No. 4. Related Party Transactions and No. 5. Trade Accounts and Notes Receivable.

### RELATED PARTY TRANSACTIONS

During the years, the Company had significant trading transactions with its subsidiary and related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	Pricing policy	2007	2006
<u>Transactions with subsidiary</u>			
(Eliminated in the consolidated financial statements)			
Sales of goods	Cost plus margin	962	764
Guarantee fees	0.25 percent of the guarantee amount	0.75	0.75
<u>Transactions with related parties</u>			
Building rental expenses	Contract price	7	7
Production service	Cost plus margin	52	26

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those related companies have been separately shown in the balance sheets.

## | Board of Directors |

1) Mr. Chatchai Boonyarat	Chairman	5) Mr. Pandit Mongkolkul	Director
2) Mrs. Chintana Boonyarat	Director	6) Mr. Narongchai Akrasanee	Independent Director
3) Mr. Prin Chirathivat	Director	7) Mr. Mati Tungpanich	Independent Director
4) Mr. Kitti Vilaivarangkul	Director	8) Mr. Khemadhat Sukondhasingha	Independent Director

## | Board of Directors |

### 1) Mr. Chatchai Boonyarat Chairman

Graduated with a Bachelor's Degree in Chemical Engineering from Chulalongkorn University and Master's Degree in Manufacturing Engineering from Boston University, USA and also participated in the Chairman 2000 Program from Thai Institute of Directors Association. Formerly the President of the Thai Food Processor Association (TFPA); Chairman of Food Industry Club of the Federation of Thai Industries; Chairman of ASEAN Food Processing Industries; Vice Chairman, Federation of Thai Industries Honorable Secretary General of the Federation of Thai Industries; and Honorable Secretary General of the ASEAN Chamber of Commerce and Industry (ASEAN - CCI).

Currently, apart from being the Chairman of the Company and group of companies, he is also Vice Chairman, Chairman SME Committee, Chairman Committee on Economic Affairs Thai Chamber of Commerce, Committee Member of National Food Institute, Committee Member of The Office of Small and Medium Enterprises Promotion, Committee Member of The Institute for Small and Medium Enterprise Development, Expert Member of Trade Competitive Committee, Expert Member in private sector for science to Patent Committee Department of Intellectual, Price Controlling Member Committee to Department of Internal Trade Ministry of Commerce, Performance Agreement Committee to State Enterprise Policy Office Ministry of Finance. Executive Board to The Support Arts and Crafts International Center of Thailand, Patent Committee and The Sub Committee on Screening Agriculture Project for Agricultural Research Development Agency (ARDA).

### 2) Mrs. Chintana Boonyarat Director

Graduated with a Bachelor's Degree in business from Menlo College, USA, and also participated in the Directors Certification Program DCP 5/2000 from Thai Institute of Directors Association.

Currently, as Director of Malee Sampran Plc; Executive Director of Central Marketing Group Co., Ltd.; President of Central Trading Co., Ltd.; Director of Tiger Eyes Trading (Thailand) Co., Ltd.; Abico Holdings Public Company Limited; Director of Board of Trade of Thailand.



## | Board of Directors |

### 3) Mr. Prin Chirathivat Director

Graduated with a Bachelor's Degree in Accounting from Skidmore College, USA and Master Degree in Business Administration from Sasin Graduate Institute of Business Administration and also participated in the Directors Certification Program DCP 2/2000; Director Accreditation Program DAP 35/2005; Audit Committee Program ACP 6/2005; The Role of Chairman 11/2005 from Thai Institute of Directors Association; CFO (Chief Financial Officer Certification Program 6/2006 and Graduate Diploma in Management of Public Economy 4/2005 from King Prajadhipok's Institute.

Currently, Executive Director - Finance of Central Group of Companies; Executive Director of Central Pattana Public Company Limited; Executive Director of Fabrica Co., Ltd.; Director and Executive Director of Central Retail Corporation Co.,Ltd ; Director of Central Plaza Hotel Public Company Limited; Advisory Committee of Market for Alternative Investment (MAI); Chairman of Audit Committee of Bua Luang Security Public Company Limited and Chiangrai Rajabhat University Steering Support Committee.

### 4) Mr. Kitti Vilaivarangkul Director

Graduated with a Bachelor's Degree in Accounting from Ramkhamhaeng University (2nd Class Honors) and Master Degree in Business Administration from Thammasat University. Formerly working for Siam Commercial Bank Public Co., Ltd. and Singburi Sugar Co., Ltd. and also participated in the Directors Accreditation Program DAP 2005 from Thai Institute of Directors Association

Currently, as Managing Director of Abico Holdings Public Company Limited; Director of Malee Enterprise Co., Ltd.; Director of Abico Dairies Farm Co., Ltd. and also as Director of Malee Sampran Public Co., Ltd.



## | Board of Directors |

### 5) Mr. Pandit Mongkolkul Director

Graduated with a Bachelor's Degree in Accounting from Chulalongkorn University and Master Degree MBA in Finance and International Business from Sasin Graduate Institute of Business Administration and also participated in the Directors Certification Program DCP 2003 from Thai Institute of Directors Association ; Capital Market Academy Leadership Program (CMA 4 ) 2007 from Capital Market Academy.

### 6) Mr. Narongchai Akrasanee Independent Director

Graduated with a Bachelor's Degree in Economics University of Western Australia; Master's Degree and Ph.D in Economics from Johns Hopkins University, USA. Formerly the Minister of Commerce; Senator of Thailand; Chairman of the Board and Chief Executive Officer of General Finance & Securities Plc; Member of APEC Business Advisory Council; Member of the Board of Directors, Securities and Exchange Commission (SEC); Vice Chairman of ASEAN Chambers of Commerce and Industry (ASEAN - CCI); Member of the Board of Directors of Office of the Board of Investment (BOI) and also participated in the Director Accreditation Program DAP 5/2003 from Thai Institute of Directors

Currently, the Chairman of Seranee Holdings Co., Ltd.; Member of the National Legislative Assembly.; Chairman of the Board, MFC Asset Management Plc.; Director and Chairman of the Board of Directors of Export - Import Bank of Thailand; Honorary Advisor, the Fiscal Policy Research Institute Foundation (FPRI).; Head of the Group on FTA Impact research Project.; Member of FTA Strategy and Negotiations Committee.; Chairman of the Board of Directors and Independent Director, Brooker Group Plc., Chairman of the Audit Committee and Independent Director of Malee Sampran Plc.; Chairman of the Steering Committee and Vice Chairman of the Council of Mekong (MI).; Member of the Board of Directors & Council of Trustees, Thailand Development Research Institute (TDRI).; Chairman, Economic Society of Thailand (EST)., Vice Chairman of the Board of Directors, Thai - German product Plc.





## | Board of Directors |

### 7) Mr. Mati Tungpanich Independent Director

Graduated with a Bachelor's Degree in Architecture from Chulalongkorn University pursued his Master Degree in Architecture from Massachusetts Institute of Technology (MIT), USA; and later on joined the National Defense College of Thailand. He was elected 3 consecutive terms during 1986 - 1992 to serve as President of the Association of Siamese Architects under Royal Patronage. During 1996 - 1997 he served as Chairman of the Advisory Board to the Prime Minister on Urban Development. He was the first President of Federation of Design and Construction Services of Thailand (FEDCON) from 2000 - 2002.

He is currently serving as Independent Director of Malee Sampran Plc., and Principle of Design+Develop co.Ltd., which he founded over 30 years ago.

### 8) Mr. Khemadhat Sukondhasingha Independent Director

Graduated with a Bachelor's Degree in Electrical Engineering from Chulalongkorn University; Joined with the National Defense College of Thailand; Joined with Industrial Engineering Honorary from King Mongkut's Institute of Technology North Bangkok. Participated DCP and ACP of IOD in 2006. Formerly the Executive of Thai Kawasaki Motor Co., Ltd.; Chairman of Sikor E - Business Co., Ltd.; Chairman of Robotic Information Technology Co., Ltd. and Chief Executive Officer the SUPPORT Arts and Crafts International Centre of Thailand.

He is currently serving as Technical Advisor of Euroasia Business Advisory; Chairman of National Metal and Materials Technology Center Board, National Science Development Agency, Committee of PAC; Auditing Committee, Ministry of Science and Technology and Independent Director of Malee Sampran Plc.

## The Board of Directors of Malee Sampran Public Company Limited

Name of the Board of Directors	Duration of Tenure in 2007	2007 Attendance The Board of Directors Meeting
1. Mr. Chatchai Boonyarat	January – December	4/4
2. Mrs. Chintana Boonyarat	January – December	4/4
3. Mr. Prin Chirathivat	January – December	4/4
4. Mr. Kitti Vilaivarangkul	January – December	4/4
5. Mr. Pandit Mongkolkul	January – December	4/4
6. Dr. Narongchai Akrasanee	January – December	3/4
7. Mr. Mati Tungpanich	January – December	3/4
8. Mr. Khemadhat Sukondhasingha	January – December	3/4

### The Audit Committee of Malee Sampran Public Company Limited.

Name of the Audit Committee	Duration of Tenure in 2007	2007 Attendance The Board of Directors Meeting
1. Dr. Narongchai Akrasanee Chairman of Audit Committee	January – December	4/4
2. Mr. Mati Tungpanich Member of Audit Committee	January – December	3/4
3. Mr. Khemadhat Sukondhasingha Chairman of Audit Committee	January – December	4/4

### The Executive Committee of Malee Sampran Public Company Limited.

Name of The Executive Committee	Duration of Tenure in 2007	2007 Attendance The Executive Committee Meeting
1. Mr. Chatchai Boonyarat	January – December	12/12
2. Mr. Kitti Vilaivarangkul	January – December	12/12
3. Mr. Mati Tungpanich	January – December	12/12
4. Mr. Pandit Mongkolkul	January – December	12/12

# | Management Discussion and Analysis |

## Operating Performance Analysis



Summary of the results from operations of the Company and its subsidiaries for the year ended 31 December 2007, comparing with the same period of previous year, the total sales were Baht 4004.3 million which decreased by Baht 94.4 million or 2.3 % mainly due to decreasing of export sales of canned fruits and the Baht appreciation. Fruit juices and beverages sales still have continually growth.

The gross profit was Baht 666.5 million which was lower than previous year by Baht 81.1 million. The gross margin was 16.6 % of total sales which decreased by 1.6 % because of higher raw material cost of export canned fruits and the Baht appreciation. As a result, the Company posted a net loss at Baht 92.5 million compared with net profit of Baht 26.1 million in the previous year mainly due to the loss from canned fruits export business, while fruit juices and beverages businesses still generate profits in a satisfactory level.

## Financial Status Analysis

(Unit : Million Baht)

Breakdown of assets	2007		2006	
Accounts receivable	478.7	20.4 %	494.6	21.6 %
Inventories	691.3	29.5 %	565.5	24.7 %
Investments	78.0	3.3 %	58.2	2.5 %
Land awaiting future development	115.8	5.0 %	115.8	5.1 %
Property, plant and equipment	876.1	37.4 %	951.6	41.5 %
Others	103.5	4.4 %	107.0	4.6 %
<b>Total assets</b>	<b>2,343.4</b>	<b>100.0 %</b>	<b>2,292.7</b>	<b>100.0 %</b>

Accounts receivable decreased by Baht 15.9 million mainly due to lower export sales. Inventories increased by Baht 125.8 million, most of the inventories increased were canned sweet corn and canned seasonal. Most of the investments were fixed deposits to secure credit facilities granted by banks. Property, plant and equipment decreased by Baht 75.5 million due to depreciation.

## The Quality of Assets

### Accounts receivable

Net accounts receivable at the year end were Baht 478.7 million, of which Baht 117.0 million was overdue, which was Baht 48.9 million higher than the overdue amount of Baht 165.9 million at the end of 2006. That was because accounts receivable as at 31 December 2006 included debt owed by a related company amounting Baht 35 million, which in 2007 the Company will receive debt amounted to Baht 1.09 million according to the business restructuring plan of the related company. As a result, the Company has written off the remainder of the debt with no effect on income statement due to the allowance for doubtful debt formerly reserved.

The allowance for doubtful debt in account as at 31 December 2007, the Company's management believes that such amount is adequate in the current circumstances.

### Liquidity

The Company has cash flows from operating activities of Baht 127.3 million, which was Baht 75.7 million lower than the previous year as a result of inventories increased. The working capital ratio was 0.56 time closed to the previous year.

### Capital Expenditures

The investments were made in machinery and equipment, which would improve production capacity of beverages under the various trademarks. The rest of the expenditures were made to repair and maintain the plant and equipment to ensure the efficiency of the production facilities, and to achieve the good manufacturing practices (GMP) and international quality standards and HACCP

### The Source of Fund

Cash generated from operating activities were used to repay Baht 45.7 million of short - term loans, and Baht 3.8 million of long - term loans, totaling Baht 49.5 million.

### The Appropriateness of Capital Structure

The debt to equity of the Company was 44.3 times higher than the previous year. The Company has managed to reduce inventories to the appropriate level, reduce expenses, and to improve EBITDA to reduce its debts with continuing effort to sell idle assets to raise cash.

### Liabilities

The Company still has high leverage. However, the EBITDA has turned to be positive, resulting from the continuing efforts to improve the Company operation. The debts which are mainly short - term loans are used as a working capital for operating activities. The Company yet converts parts of short - term debts to long - term one to improve the balance sheets. The Company has been trying to improve an operating performance and some parts of profit will be deducted in order to pay debts.

## | Risk Factors |

### Forward sales contracts

The exporters of canned fruit and sweet corn have the risk from forward sales contract according to the practice of international trade to make sales contract throughout the year. The uncertainty of the production cost i.e. raw material price might affect the company profit. The company has to manage the forward sales contract and adjust the production plan according to the raw material situation to reduce this risk.

### Exchange Rate

The trend of the Baht appreciation against the US dollar will affect the Company revenue in Baht term. The Company has managed to hedge its export revenue up to the limit of the credit facility and quote sales in other currencies i.e. Euro. in order to reduce the exchange rate risk.

### Raw Materials

Risk from Raw material incurred from the shortage of quantity, poor quality and high price. The company has managed this problem in short term and long term by opening schemes for farmers to promote farming of raw materials. The company gives trainings on technology to farmer members on high yields - low cost with good quality. This includes what to do after the harvests, proper transportation to the factory, and we have operated the company sweet corn farm by ourselves. Also cooperate with BAAC and AMC in 5 provinces to supply the fresh pineapple for the company. In addition, adjust the production plan in accordance with the raw material situation to maximize the benefits.



### The withdrawal of the price undertaking agreement for sweet corn export to the EU

The European Commission imposed the definitive antidumping measures on certain prepared or preserved sweet corn in kernels originating in Thailand on June 18, 2007. The company offered a price undertaking (the Undertaking) which was accepted by the EC on June 18, 2007. The company AD rate of 12.8% was exempted for the products and quantity specified in the Undertaking. Later, the EC informed the Company the decision to withdraw the Undertaking on February 15, 2008 due to the changes of circumstances. The company had sent the comments to the EC disclosure of the Undertaking withdrawal. The company expanded to other markets in order to manage the risk of the Undertaking withdrawal.

## I The Audit Committee Report I

### To report to The Board of Director of Malee Sampran Public Co., Ltd.

February 5, 2008

The Audit Committee consists of 3 Independent Directors. Dr. Narongchai Akrasanee is the Chairman of the Audit Committee. Mr. Mati Tungpanich and Mr. Khemadhat Sukondhasingha is member of the audit committee.

During 2007, The Audit Committee had 4 meetings with external auditor, Vice President of Internal Audit Office and the Company's executive managements to perform their duties and responsibilities as assigned by the Board of Directors and accountability to ensure the Company's compliance with the Securities and Stock Exchange of Thailand's rules and regulations. The main tasks could be summarized as below :

1. Reviewed the quarterly and audited annual financial statements with Company's management to present to the Board of Directors. To ensure the accuracy and creditability of the financial information generally accepted auditing standards as well as sufficient and timely disclosure of significant matters.
2. Considered and approved the annual internal audit plan. Acknowledged the internal auditor's report, monitored the company's investment projects and provided useful recommendations to the management for improvement of the operation to be efficiency and effectively.
3. Reviewed Company operations to ensure the Company's compliance with the Securities and Stock Exchange laws, the Stock Exchange of Thailand's rules and regulations including with other relevant laws.

4. Considered and supported the disclosure of any connected transactions which may cause the conflicts of interest.
5. Ensured that internal control system was performed properly and effectively by reviewing company risk management and made suggestion to help minimize those risks.
6. Considered and proposed the appointment of external auditor.

On behalf of the Audit Committee



(Dr. Narongchai Akrasanee)  
Chairman of the Audit Committee

## | Other References |

### Securities Registrar

Thailand Securities Depository Co.,Ltd.  
4<sup>th</sup> Floor, The Stock Exchange of Thailand Bldg.  
62 Rajadapisek Road, Klongteoy, Bangkok 10110  
Tel. 0 - 2359 - 1200

### Auditor

Mr.Pichai Dachanapirom, Certified Public Accountant No. 2421  
Mr.Pojana Asavasontichai, Certified Public Accountant No. 4891  
Miss Chantra Wongsri - Udornporn, Certified Public Accountant No. 4996  
Dharmniti Audting Co., Ltd.  
267/1 Pracharaj Sai 1 Road  
Bangsue, Bangkok 10800  
Tel : 0 - 2587 - 8080

### Legal Adviser

Allen & Overy 19<sup>th</sup> Floor, Payathai Plaza,  
128 Phayathai Road, Rajathavee, Bangkok 10400  
Tel. 0 2216 5481 - 2

## | Quality system and Awards |

Almost 30 years, The Company is continued to improve production Process and quality system. The company still pursue for excellence product by focusing on rigorous food safely and hygiene to achieve national and international standard.

- **BRC** (Global Standard Food ) : **British Retail Consortium** recognized by CMI Company on 26<sup>th</sup> January 2001.
- **Halal Certificate** : recognized by The Central Islamic Committee of Thailand on 12<sup>th</sup> September 2001.
- **HACCP** (Codex Standard ) : **Hazard Analysis Critical Control Points** recognized by SGS Company on 13<sup>rd</sup> December 2004.
- **GMP** (Codex Standard) : **Good Manufacturing Practices** recognized by SGS Company on 13<sup>rd</sup> December 2004.
- **Kosher Certificate** : recognized by Kosher Certification, Rabbi Don Yoel Levy, KashruthAdministrator, Israel on 21<sup>st</sup> March 2005.
- **IFS** : **International Food Standards** recognized by SGS Company on 12<sup>th</sup> October 2005.
- **Q-MARK** : recognized by Thailand Council of Industry on 16<sup>th</sup> May 2007.

### Malee Company has won awards as follows :

- The Prime Minister's Export Award 1993 which recognized the Company in the Distinctive Development & Marketing of a Thai Owned Brand in Category of food product.
- Best awards for environmental concern 1994, 1995 and 1997. Best Award for environmental protection plant for Water Management in 1994.
- World Tech 95 Award and The Best Product Award in the ASEAN Food Conference in Singapore in 1997
- Thailand Best Innovation Award 2003 for shelf-life extension of I-Corn milk beverage from chilled to ambient product at 9 months.
- Awarded in 2003 for innovative technology from Accensor Company and The Nation newspaper as the world's first producer of 100% corn milk beverage Malee I-Corn, called in UHT pack.
- Superbrands Thailand 2003 – 2004 by Superbrands Institute, UK which is the institute that conducted research for experts in fruits particularly from 5,000 samples nationwide.



- Trusted Brand 2003 – 2007 from Reader's Digest . For 5 consecutive years, Reader's Digest magazine has conducted researches and awarded the Company for its popularity among consumers.
- In August 2007, Malee Brand was selected in Hong Kong to be one of the top 20 leading brands in Thailand from the survey of Media Magazine, Asian Integrated Media, a regional brand consultant, and Synovate, a global marketing research company.

Feeling proud of the Quality system and Awards achieved, Malee Company regarded this as a driving force, an inspiration for our staffs to keep up the standard and with determination to devote to our works in order to reach the highest success in the future.



## | REPORT OF THE AUDITOR |



To The Shareholders and Board of Directors of  
Malee Sampran Public Company Limited and Its Subsidiaries

I have audited the consolidated balance sheet of Malee Sampran Public Company Limited and its subsidiaries as at December 31, 2007, and the related consolidation statements of incomes, changes in shareholders' equity and cash flows for the years then ended and the separate balance sheet of Malee Sampran Public Company Limited as at December 31, 2007, and the separate statements of income for the years ended December 31, 2007, the separate changes in shareholders' equity and the separate cash flows for the years ended 2007. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to issue a report on these financial statements based on my audit. The consolidated balance sheet (before restated) as at December 31, 2006, consolidated statements of income, changes in shareholders' equity and cash flows (before restated) for the year then ended of Malee Sampran Company Limited and its subsidiaries and the separate balance sheet (before restated) as at December 31, 2006, the separate statements of income, the separate changes in shareholders' equity and the separate cash flow (before restated) for the year then ended of Malee Sampran Company Limited, respectively which are presented for comparative purposes, were audited by another auditor, whose report dated February 12, 2007, expressed an unqualified opinion on those statements and drew attention to the going concern issue.

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 statement 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 consolidated financial position of Malee Sampran Public Company Limited and its subsidiaries as at December 31, 2007 and the consolidated results of their operations, the consolidated changes in their shareholders' equity and their consolidated cash flows for the year then ended, and the separate financial position of Malee Sampran Public Company Limited as at December 31, 2007, and the separate results of its operations, the separate changes in its shareholders' equity and its separate cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying my report, I draw your attention to Note 1.4 to the financial statements regarding the going concern issue and Note 24 to the financial statements regarding the retrospective adjustment made by the Company and a subsidiary in the 2006 financial statements, included for comparative purposes, in respect of error correction of recording in long-term lease agreement which should be treated as an operating lease rather than a finance lease.

And, I draw your attention to Note 25 to the financial statements regarding the retrospective adjustment made by the Company in the 2006 financial statements, included for comparative purposes, in respect of change in the Company only financial statement's accounting policy of investment in subsidiary from the equity method to the cost method.

(Miss Chantra Wongsri-Udomporn)  
Certified Public Accountant  
Registration No. 4996

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 25, 2008  
2008/066/8066



## BALANCE SHEETS

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

Baht

ASSETS	Note	Consolidated		The Company Only	
		2007	2006 (Restated)	2007	2006 (Restated)
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		13,710,402	8,860,362	2,148,343	5,009,427
Trade accounts and notes receivable					
Subsidiaries	4	-	-	346,262,278	295,180,936
Related parties	4	1,088,540	35,075,691	1,088,540	35,075,691
Unrelated parties		495,160,559	511,101,165	146,301,557	212,776,777
Less : Allowance for doubtful accounts		(17,581,721)	(51,549,036)	(1,254,867)	(35,702,182)
Trade accounts and notes receivable, net	5	478,667,378	494,627,820	492,397,508	507,331,222
Inventories, net	6	691,273,551	565,540,591	602,464,116	503,154,616
Other current assets					
Export incentive receivable		4,497,959	6,108,223	4,497,959	6,108,223
Other accounts receivable		17,968,461	6,206,154	17,968,461	5,448,301
Input tax refundable		2,765,389	8,139,086	235,285	8,139,086
Advances payment		15,320,433	14,188,867	13,512,518	10,059,042
Deposit and bid guarantee		8,826,865	11,150,156	8,814,038	8,085,750
Insurance claim	7	-	9,973,095	-	-
Others		21,446,007	14,720,771	17,791,542	11,384,525
<b>TOTAL CURRENT ASSETS</b>		<b>1,254,476,445</b>	<b>1,139,515,125</b>	<b>1,159,829,770</b>	<b>1,064,720,192</b>
<b>NON-CURRENT ASSETS</b>					
Restricted bank deposits	8	78,037,162	58,151,536	78,037,162	58,151,536
Investments accounted for under the equity method	9	-	-	-	-
Land awaiting in future development, net	10	115,759,621	115,759,621	115,759,621	115,759,621
Assets awaiting sales	10	229,802	-	229,802	-
Property, plant and equipment, net	11	876,109,920	951,612,389	854,978,200	934,485,715
Other non-current assets					
Deposits		15,937,799	14,662,695	11,714,367	10,674,889
Others		2,822,297	13,030,352	2,822,297	13,030,351
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,088,896,601</b>	<b>1,153,216,593</b>	<b>1,063,541,449</b>	<b>1,132,102,112</b>
<b>TOTAL ASSETS</b>		<b>2,343,373,046</b>	<b>2,292,731,718</b>	<b>2,223,371,219</b>	<b>2,196,822,304</b>

Notes to financial statements form an integral part of these statements.



## BALANCE SHEETS (CONT.)

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

Baht

LIABILITIES AND SHAREHOLDER'S EQUITY	Note	Consolidated		The Company Only	
		2007	2006 (Restated)	2007	2006 (Restated)
<b>CURRENT LIABILITIES</b>					
Bank overdrafts and short-term loans from financial institutions	12	490,962,299	531,317,319	490,962,299	531,317,319
Trade accounts payable and note payable					
Subsidiary	4	-	-	3,500,000	991,259
Related party	4	-	2,780,442	-	2,780,442
Unrelated parties		1,248,046,147	1,070,356,592	1,244,685,455	1,068,838,362
Factoring payable		149,757,529	135,166,377	27,291,699	48,184,162
Current portion of hire-purchase creditors	13	17,519,866	16,118,168	17,519,866	16,118,168
Current portion of liabilities under finance lease agreement	14	2,750,792	1,079,750	2,750,792	1,079,750
Current portion of liability from guarantee	22.4	2,541,600	2,441,600	2,541,600	2,441,600
Current portion of long-term loans	15	99,000,000	76,355,000	99,000,000	76,355,000
Other current liabilities					
Accrued expenses and accrued interest and other account payable		192,956,961	165,466,516	111,222,990	92,083,135
Advances received from customers		22,979,522	44,987,750	22,979,522	44,843,565
Others		4,812,197	2,519,912	62,329	52,329
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,231,326,913</b>	<b>2,048,589,426</b>	<b>2,022,516,552</b>	<b>1,885,085,091</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire-purchase creditors, net of current portion	13	48,933,725	56,729,038	48,933,725	56,729,038
Liabilities under finance lease agreement, net of current portion	14	-	2,750,792	-	2,750,792
Liability from guarantee, net of current portion	22.4	10,826,000	13,367,600	10,826,000	13,367,600
Long-term loans, net of current portion	15	512,534	27,000,000	512,534	27,000,000
Provisions for loss on defaulting on amount due from subsidiaries	25, 26	-	-	77,830,183	59,591,758
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>60,272,259</b>	<b>99,847,430</b>	<b>138,102,442</b>	<b>159,439,188</b>
<b>TOTAL LIABILITIES</b>		<b>2,291,599,172</b>	<b>2,148,436,856</b>	<b>2,160,618,994</b>	<b>2,044,524,279</b>

Notes to financial statements form an integral part of these statements.

## BALANCE SHEETS (CONT.)

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

		Baht			
		Consolidated		The Company Only	
LIABILITIES AND SHAREHOLDER'S EQUITY (CONT.)	Note	2007	2006 (Restated)	2007	2006 (Restated)
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
99,999,000 ordinary shares of Baht 10 each	16	999,990,000	999,990,000	999,990,000	999,990,000
Issued and fully paid					
70,000,000 ordinary shares of Baht 10 each	16	700,000,000	700,000,000	700,000,000	700,000,000
Paid-in capital					
Share premium		347,500,000	347,500,000	347,500,000	347,500,000
Revaluation surplus		171,009,035	171,009,035	171,009,035	171,009,035
Cumulative exchange difference (translation adjustment)		901,825	901,825	901,825	901,825
Retained earnings					
Appropriated - statutory reserve	16	8,180,000	8,180,000	8,180,000	8,180,000
Deficit		(1,175,816,986)	(1,083,295,998)	(1,164,838,635)	(1,075,292,835)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>51,773,874</b>	<b>144,294,862</b>	<b>62,752,225</b>	<b>152,298,025</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,343,373,046</b>	<b>2,292,731,718</b>	<b>2,223,371,219</b>	<b>2,196,822,304</b>

Notes to financial statements form an integral part of these statements.

# STATEMENTS OF INCOME

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		Consolidated		The Company Only	
	Note	2007	2006 (Restated)	2007	2006 (Restated)
Baht					
<b>REVENUES</b>					
Sales		4,004,250,431	4,098,633,299	3,622,859,303	3,722,944,314
Other income		63,904,169	64,134,632	56,403,276	56,610,497
<b>TOTAL REVENUES</b>		<b>4,068,154,600</b>	<b>4,162,767,931</b>	<b>3,679,262,579</b>	<b>3,779,554,811</b>
<b>EXPENSES</b>					
Cost of sales		3,337,742,145	3,351,030,172	3,332,650,704	3,305,457,297
Selling and administrative expenses		753,788,553	721,506,690	355,312,027	391,836,323
Liability arising from estimated loss on defaulting on amount due from to subsidiaries	25, 26	-	-	18,238,424	7,738,234
Share of loss from investments accounted for under the equity method		-	181,796	-	181,796
Directors' remuneration		5,415,000	4,460,000	5,415,000	4,460,000
<b>TOTAL EXPENSES</b>		<b>4,096,945,698</b>	<b>4,077,178,658</b>	<b>3,711,616,155</b>	<b>3,709,673,650</b>
<b>PROFIT (LOSS) BEFORE INTEREST EXPENSES</b>		<b>(28,791,098)</b>	<b>85,589,273</b>	<b>(32,353,576)</b>	<b>69,881,161</b>
<b>INTEREST EXPENSES</b>		<b>(63,729,890)</b>	<b>(59,476,790)</b>	<b>(57,192,224)</b>	<b>(54,988,847)</b>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>(92,520,988)</b>	<b>26,112,483</b>	<b>(89,545,800)</b>	<b>14,892,314</b>
<b>Basic earnings per share</b>					
Net profit (loss)	19	(1.32)	0.39	(1.28)	0.22
<b>Diluted earnings per share</b>					
Net profit (loss)	19	(1.28)	0.37	(1.28)	0.21

Notes to financial statements form an integral part of these statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Note	Consolidated								Baht
		Issued and paid-up share capital			Revaluation surplus	Translation adjustment	Retained earnings		Total (Restated)	
		Ordinary shares	Preference shares	Share premium			Appropriated	Deficit (Restated)		
Beinning balance as at 1 January 2006		500,000,000	200,000,000	347,500,000	171,009,035	441,111	8,180,000	(1,109,408,481)	117,721,665	
Conversion of preference shares to ordinary shares	16	200,000,000	(200,000,000)	-	-	-	-	-	-	
Unrealised items in earnings statements translation adjustment		-	-	-	-	460,714	-	-	460,714	
Net income for the periods		-	-	-	-	-	-	26,112,483	26,112,483	
<b>Ending balance as at 31 December 31, 2006</b>		<b>700,000,000</b>	<b>-</b>	<b>347,500,000</b>	<b>171,009,035</b>	<b>901,825</b>	<b>8,180,000</b>	<b>(1,083,295,998)</b>	<b>144,294,862</b>	
Beinning balance as at 1 January 2007		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,084,147,895)	143,442,965	
Correction errors of previous financial statement	24	-	-	-	-	-	-	851,897	851,897	
Balance as restated		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,083,295,998)	144,294,862	
Net income for the periods		-	-	-	-	-	-	(92,520,988)	(92,520,988)	
<b>Ending balance as at 31 December 31, 2007</b>		<b>700,000,000</b>	<b>-</b>	<b>347,500,000</b>	<b>171,009,035</b>	<b>901,825</b>	<b>8,180,000</b>	<b>(1,175,816,986)</b>	<b>51,773,874</b>	

Notes to financial statements form an integral part of these statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)



MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Baht

	Note	The Company Only							
		Issued and paid-up share capital		Share premium	Revaluation surplus	Translation adjustment	Retained earnings		Total (Restated)
		Ordinary share	Preference share				Appropriated	Deficit (Restated)	
Beinning balance as at 1 January 2006		500,000,000	200,000,000	347,500,000	171,009,035	441,111	8,180,000	(1,109,408,481)	117,721,665
Accumulative effect of the change in accounting policy of investment in subsidiary	25	-	-	-	-	-	-	19,223,332	19,223,332
Balance as restated		500,000,000	200,000,000	347,500,000	171,009,035	441,111	8,180,000	(1,090,185,149)	136,944,997
Conversion of preference shares to ordinary shares	16	200,000,000	(200,000,000)	-	-	-	-	-	-
Unrealised items in earnings statements translation adjustment		-	-	-	-	460,714	-	-	460,714
Net in for the periods		-	-	-	-	-	-	14,892,314	14,892,314
Ending balance as at 31 December 31, 2006		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,075,292,835)	152,298,025
Beinning balance as at 1 January 2007		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,084,147,895)	143,442,965
Correction of errors previous financial statements	24	-	-	-	-	-	-	741,069	741,069
Accumulative effect of the change in accounting policy of investment in subsidiary	25	-	-	-	-	-	-	8,113,991	8,113,991
Balance as restated		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,075,292,835)	152,298,025
Net income for the periods		-	-	-	-	-	-	(89,545,800)	(89,545,800)
Ending balance as at 31 December 31, 2007		700,000,000	-	347,500,000	171,009,035	901,825	8,180,000	(1,164,838,635)	62,752,225

Notes to financial statements form an integral part of these statements.

Content





## STATEMENTS OF CASH FLOWS

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Baht

	Consolidated		The Company Only	
	2007	2006 (Restated)	2007	2006 (Restated)
<b>Cash flows from (used in) operating activities</b>				
Net income	(92,520,988)	26,112,483	(89,545,800)	14,892,314
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Share of (income) loss from investments accounted for under equity method	-	181,796	-	181,796
Provisions for loss on defaulting on amount due from to subsidiaries	-	-	18,238,424	7,738,234
Allowance for doubtful accounts	(37,686,037)	4,700,929	(38,166,037)	1,086,627
Written-off trade accounts receivable	35,196,139	6,788,043	35,196,139	6,013,659
Provision for obsolete inventories	(6,428,613)	14,074,378	(5,943,698)	11,737,765
Loss on obsolete inventories	28,270,329	12,470,562	12,194,289	-
Provision for diminution in value of inventories (reversal)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Depreciation	135,733,962	111,860,289	128,572,664	107,423,258
Amortisation	3,774,636	8,814,774	3,774,636	8,224,217
Gain on sales of machinery and equipment	(623,193)	(933,861)	(442,908)	(452,893)
Unrealised loss on exchange	(404,441)	1,490,681	(404,441)	1,490,681
Allowance for impairment loss	3,253,093	2,516,234	3,253,093	2,516,234
Write-off machinery and equipment	-	783,000	-	783,000
Income from operating activities before changes in operating assets and liabilities	66,064,887	186,359,308	64,226,361	159,134,892
Operating assets (increase) decrease				
Trade accounts and notes receivable	18,211,320	(92,143,460)	17,664,592	(7,340,970)
Inventories	(145,074,676)	67,181,492	(103,060,091)	63,078,403
Other current assets	(338,762)	(20,585,076)	(13,594,876)	(18,020,033)
Other assets	5,158,315	22,769,358	5,393,940	24,783,518

Notes to financial statements form an integral part of these statements.

## STATEMENTS OF CASH FLOWS (CONT.)

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Consolidated		The Company Only		Baht
	2007	2006 (Restated)	2007	2006 (Restated)	
Operating liabilities increase (decrease)					
Trade accounts payable	174,972,244	(15,822,154)	175,638,523	(15,155,680)	
Other current liabilities	30,363,060	43,686,858	19,730,185	27,748,882	
Advance received from customer	(22,008,228)	11,603,584	(21,864,043)	11,605,578	
Net cash flows from operating activities	127,348,160	203,049,910	144,134,591	245,834,590	
<b>Cash flows from (used in) financing activities</b>					
Decrease (increase) in restricted bank deposits	(19,885,626)	10,358,984	(19,885,626)	10,358,984	
Proceeds from dissolution of investment in associated company	-	2,877,503	-	2,877,503	
Acquisition of machinery and equipment	(63,865,464)	(169,923,859)	(52,541,086)	(159,597,428)	
Proceeds from sales of machinery and equipment	10,789,268	1,275,942	10,450,950	485,114	
Net cash flows used in investing activities	(72,961,822)	(155,411,430)	(61,975,762)	(145,875,827)	
<b>Cash flows from (used in) financing activities</b>					
Decrease in bank overdrafts, short-term loans from financial institutions	(40,355,020)	(55,118,278)	(40,355,020)	(55,118,278)	
Increase (decrease) in factoring payable	14,591,152	44,108,903	(20,892,463)	(6,787,741)	
Cash paid to hire-purchase creditors	(16,408,614)	(8,136,921)	(16,408,614)	(8,136,921)	
Cash paid to liabilities under finance lease agreement	(1,079,750)	(1,079,750)	(1,079,750)	(1,079,750)	
Cash paid to liability from guarantee	(2,441,600)	-	(2,441,600)	-	
Cash paid to long-term loans	(3,842,466)	(24,954,830)	(3,842,466)	(24,954,830)	
Net cash flows used in financing activities	(49,536,298)	(45,180,876)	(85,019,913)	(96,077,520)	
Translation adjustment of foreign entity	-	460,714	-	-	

Notes to financial statements form an integral part of these statements.

## STATEMENTS OF CASH FLOWS (CONT.)

MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Baht

	Consolidated		The Company Only	
	2007	2006 (Restated)	2007	2006 (Restated)
Net increase (decrease) in cash and cash equivalents	4,850,040	2,918,318	(2,861,084)	3,881,243
Cash and cash equivalents at beginning of period	8,860,362	5,942,044	5,009,427	1,128,184
Cash and cash equivalents at end of period	13,710,402	8,860,362	2,148,343	5,009,427
Supplemental cash flows information :-				
Cash and cash equivalents, end of year consisted of :-				
Cash on hand	162,000	165,000	110,000	110,000
Cash at banks with an original maturity of three months or less	13,548,402	8,695,362	2,038,343	4,899,427
Total	13,710,402	8,860,362	2,148,343	5,009,427
Cash paid during the year for				
Interest	63,856,001	60,870,132	56,960,990	56,382,189
Corporate income tax	-	130,191	-	90,571
Non-cash transactions				
Purchase of machinery under trust receipts payable	-	80,012,534	-	80,012,534
Purchase of machineries under hire-purchase agreements	12,339,594	71,102,000	12,339,594	71,102,000
Conversion of preference shares to ordinary shares	-	200,000,000	-	200,000,000

Notes to financial statements form an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## MALEE SAMPRAN PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

DECEMBER 31, 2007 AND 2006

### 1. GENERAL INFORMATION

#### 1.1 Corporate information

Malee Sampran Public Company Limited ("The Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of canned fruit and fruit juices and its registered address is 401/1, Moo 8, Phaholyothin Road, Kookod, Lumlookka, Pathumthani, Thailand 12130.

#### 1.2 Employees and related costs

	Consolidated		The Company only	
	2007	2006	2007	2006
Number of employees at end of years (persons)	1,897	2,674	1,610	2,426
Employee costs for the years (Baht)	350,613,293	346,519,705	286,426,208	290,383,559

#### 1.3 Supplemental disclosure of revenues and expenses information

	Consolidated		The Company only		Baht
	2007	2006	2007	2006	
Depreciation charges	135,733,962	111,860,289	128,572,663	107,423,258	
Gain (loss) on exchange rate	3,162,860	3,001,084	3,162,860	3,005,383	
Directors' remuneration	5,415,000	4,460,000	5,415,000	4,460,000	

#### 1.4 Fundamental Accounting Assumptions

As at December 31, 2007, the Company and its subsidiaries had a deficit of Baht 1,175.82 million and current liabilities approximately Baht 976.85 million in excess of current assets. Although these conditions raise substantial doubt about the ability of the Company and its subsidiaries to continue as a going concern, the management of the Company and its subsidiaries are considering the restructuring of their operations and finances and they believe that they will be able to resolve these problems. For this reason, the financial statements have been prepared on a going concern basis and hence do not include any of the adjustments that might result should the Company and its subsidiaries be unable to continue as a going concern.

## 2. STANDARD BASIS OF PREPARATION

### 2.1 Basis for the preparation of financial statements

2.1.1 The financial statements have been prepared in accordance with accounting standard enunciated under the Accounting Profession Act B.E. 2547. 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, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

#### 2.1.2 Adoption of new accounting standards during the period

In the year 2007, The Federation of Accounting Professions (FAP) has issued Notification No. 9/2550 dated May 2, 2007, No.38/2550 dated September 21, 2007 and No. 62/2550 dated December 7, 2007 regarding Thai Accounting Standards (TAS), which were announced in the Royal Gazette. The Notifications require mandating of the new Thai Accounting Standards (Revised 2007) which consist of 13 sets of standards instead of using the cancelled pervious versions.

TAS 25 Cash Flow Statements

TAS 33 Borrowing Costs

TAS 44 Consolidated Financial Statement and Separate Financial Statements

TAS 45 Investments in Associates

TAS 46 Interests in Joint Ventures

TAS 49 Construction Contracts

TAS 35 Financial Reporting and Presentation

TAS 39 Changes in Accounting Policies and Estimates, and Corrections of Errors

TAS 41 Interim Financial Reporting

TAS 29 Leases (cancelled TAS 7 Hire-purchase)

TAS 31 Inventory

TAS 43 Business Combinations

TAS 51 Intangible Assets

The Thai Accounting Standards effective for the current year.

Thai Accounting Standards No. 44 and 45 become effective for the financial statements for fiscal years beginning on or after January 1, 2007. The Company has changed its accounting policy regarding to investment in subsidiary and associated company in order to comply with the accounting standard No.44 and 45 (revised 2007). (see Note No.25)

Thai Accounting Standards No.46 is not relevant to the Company's business.

Thai Accounting Standards not effective for the current year but they will become effective for the financial statements for fiscal years beginning on or after January 1, 2008. The management has assessed the effect of these revised accounting standards and classified them subject to its material impact level to the Company's financial statement as follows:

Revised Thai Accounting Standards that have insignificant impact to the Company's financial statement are the Thai Accounting Standards No. 25, 33, 35, 39, 41, 29, 31, 43 and 51. The

management believes that these revised accounting standards will not have significant impact to the Company's financial statement.

Revised Thai Accounting Standards that have no any impact to the Company's financial statement are the Thai Accounting Standards No. 49 and 43. The management believes that these revised accounting standards will not precisely relevant to the Company's business.

## 2.2 Basis of consolidation

2.2.1 These consolidated financial statements include the financial statements of Malee Sampran Public Company Limited and its subsidiaries ("the Group" and "the Company and its subsidiaries") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2007. There have been no changes in the composition of the Group during the current period.

Company's name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
		2007	2006		2007	2006	2007	2006
		Percent	Percent		Percent	Percent	Percent	Percent
<b>Held by the Company</b>								
Malee Enterprise Company Limited	Distributor	99.99	99.99	Thailand	20.51	17.13	33.21	27.85
Malee Supply Company Limited	Distributor (Dormant)	97.60	97.60	Thailand	-	-	-	-
Icon Foods, LLC.	Distributor (Dormant)	99.00	99.00	USA	-	-	-	-

2.2.2 The financial statements of overseas subsidiary company are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of "Translation adjustment" in shareholders' equity.

2.2.3 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Revenue and expenses recognition

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Other incomes are recognised base on accrual basis.

Expenses are recognised base on accrual basis.

### 3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### 3.3 Trade accounts receivable

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 generally based on collection experiences and analysis of the debtor aging.

### 3.4 Inventories

Finished goods, work in process, raw materials, packing materials, spare parts and factory supplies are valued at the lower of standard cost (which approximates actual cost by weighted average method) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials, packing materials, spare parts and factory supplies are charged to production costs whenever consumed.

Allowance for stock obsolescence is set up for old, obsolete, slow-moving or deteriorated inventories.

### 3.5 Investments

Investments in subsidiaries and associated company are accounted for under the cost method less allowance for impairment loss on the investments, if any. The Company recognizes impairment loss on the investments in the statement of income.

### 3.6 Export incentive receivable

Export incentive, in the form of tax coupons, is recognized as revenue when the relevant export shipment is made. Export incentive is calculated by multiplying of the determined percentage and invoicing value based on F.O.B. basis.

### 3.7 Property, plant and equipment and depreciation

Land is stated at cost or revaluation. Plant and equipment are stated at cost or revaluation less accumulated depreciation and impairment loss (if any).

Land is initially recorded at cost and subsequently revalued by an independent appraiser to its fair value. Revaluations are to be made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

The differences arising from revaluation are dealt in the financial statements as follows:

- When the carrying amount of land is increased as a result of the revaluation, such increase is credited directly to equity under the heading of "Revaluation surplus". However, a revaluation increase will be recognized as income to the extent that it reverses a revaluation decrease of land previously recognized as an expense.
- When carrying amount of land is decreased as a result of a revaluation, such decrease is recognized as an expense. However, a revaluation decrease will be charged directly against the related "Revaluation surplus" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of land while any remainder will be recognized as expenses in the income statement.

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of plant and equipment is calculated by reference to their costs using the following methods and rates:-

	<u>Method</u>	<u>Percent per annum</u>
Land and buildings improvement	Straight-line	20
Buildings acquired prior to 1990	Declining	5
Buildings acquired since 1990	Straight-line	5
Machinery, equipment and furniture acquired prior to 1990	Declining	10 and 20
Machinery, equipment and furniture acquired since 1990	Straight-line	10 and 20
Motor vehicles	Straight-line	20

No depreciation is provided for land and construction in progress.

### 3.8 Borrowing cost

Borrowing cost of loans for fixed asset procurement is recorded in cost of fixed assets until the assets are ready for use.

### 3.9 Amortisation

Pallets and packages are stated at cost less accumulated amortization. Amortisation of pallets and packages is calculated on the straight-line method over periods of 1 and 3 years.

### 3.10 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

### 3.11 Hire-purchase agreement

The Company recorded its property, plant and equipment under hire-purchase as assets and liabilities in the balance sheets at amounts equal at the inception of the hire-purchase to the fair value of the leased assets or, if lower, at the present value of the minimum hire-purchase payments. In calculating the present value of the minimum hire-purchase payments, the discount factor used is the interest rate implicit in the hire-purchase. The interest charge is recorded to periods during the hire-purchase term on the remaining balance of the liability for each period.

### 3.12 Finance lease agreement

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property or the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset or the lease term.



### 3.13 Operating Lease

Lease of assets under which all the risks and reward of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 3.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 3.15 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

### 3.16 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

### 3.17 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation at the determined rate of 30%.

### 3.18 Derivatives

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortized on a straight-line basis over the contract periods.

### 3.19 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities dominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining earnings.

### 3.20 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

### 3.21 Earning per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

### 3.22 Financial instruments

The Company and its subsidiary have no policy to speculate in or engage in the trading of any financial derivative instruments.

## 4. RELATED PARTY TRANSACTIONS

During the years, the Company had significant trading transactions with its subsidiary and related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

	Pricing policy	Baht	
		2007	2006
<b>Transactions with subsidiary</b>			
(Eliminated in the consolidated financial statements)			
Sales of goods	Cost plus margin	961,645,327	763,557,680
Guarantee fee	0.25 percent of the guarantee amount	750,000	750,000
<b>Transactions with related parties</b>			
Building rental expenses	Contract price	6,625,958	6,621,360
Production service	Cost plus margin	51,691,324	25,913,605

The balances of the accounts as at December 31, 2007 and 2006 between the Company and those related companies are as follows:

	Baht			
	Consolidated		The Company Only	
	2007	2006	2007	2006
<b>Trade accounts and notes receivable</b>				
<b>Subsidiaries</b>				
Malee Enterprise Co., Ltd.	-	-	346,262,278	295,180,936
<b>Related parties</b>				
Chokchai Milk Limited	1,088,540	35,075,691	1,088,540	35,075,691
<b>Total</b>	<b>1,088,540</b>	<b>35,075,691</b>	<b>347,350,818</b>	<b>330,256,627</b>
<b>Trade accounts payable</b>				
<b>Subsidiary</b>				
Malee Enterprise Co., Ltd.	-	-	3,500,000	991,259
<b>Related party</b>				
Abico Daily Farm Company Limited	-	2,780,442	-	2,780,442
<b>Total</b>	<b>-</b>	<b>2,780,442</b>	<b>3,500,000</b>	<b>3,771,701</b>

Currently, Chokchai Milk Limited does not relate to the Company, either through having common shareholders and / or common directors.

As at December 31, 2006, the Baht 35 million allowance for doubtful accounts was set aside in the account for Chokchai Milk Limited. Later, in the year 2007, the Central Court agreed with the business restructuring plan of Chokchai Milk Limited. Under this restructuring plan, the total stipulated debt amount that the Company shall receive amounted to Baht 1.09 million. As a result, the Company had written off the remainder of the debt into bad debt of Baht 34 million and reversed the formerly set allowance for doubtful debt of Baht 35 million in the statement of income for the year 2007.

#### Directors and management's remuneration

For the years ended December 31, 2007 and 2006, the Company paid salaries, meeting allowances and gratuities to its directors and management totaling Baht 5,415,000 and Baht 4,460,000 respectively.

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related party, as described in Note 22.3 to the financial statements.

## 5. TRADE ACCOUNTS AND NOTES RECEIVABLE

The outstanding balances of trade accounts receivable as at December 31, 2007 and 2006 are aged, based on due date, as follows:-

	Consolidated		The Company Only		Baht
	2007	2006	2007	2006	
<b>Age of receivables</b>					
Not yet due	379,254,630	380,323,815	348,442,110	371,194,242	
Past due					
Up to 3 months	94,165,607	112,320,813	139,056,756	135,266,385	
3 - 6 months	3,549,994	1,471,273	3,397,376	672,803	
6 - 9 months	651,298	290,164	589,705	183,654	
Longer than 9 months	18,627,570	51,770,791	2,166,428	35,716,320	
Total	496,249,099	546,176,856	493,652,375	543,033,404	
Less : Allowance for doubtful accounts	(17,581,721)	(51,549,036)	(1,254,867)	(35,702,182)	
Trade accounts and notes receivable, net	478,667,378	494,627,820	492,397,508	507,331,222	

Included in the trade accounts receivable of the Company and its subsidiary as at December 31, 2007 and 2006 was approximately Baht 169 million and Baht 144 million, respectively receivable from customers, which have been sold with recourse to financial institutions at a discount. Of these, Baht 27 million and Baht 48 million, respectively are belong to the Company.

## 6. INVENTORIES

	Baht			
	Consolidated		The Company Only	
	2007	2006	2007	2006
Finished goods	536,199,687	442,989,130	445,538,554	378,266,542
Raw materials	45,819,616	42,258,281	45,819,616	42,258,281
Packing materials	92,828,644	70,968,868	92,828,644	70,968,868
Spare parts and factory supplies	24,456,144	26,283,465	24,456,144	26,283,465
Total	699,304,091	582,499,744	608,642,958	517,777,156
Allowance for stock obsolescence	(8,030,540)	(14,459,153)	(6,178,842)	(12,122,540)
Allowance for diminution in value of inventories	-	(2,500,000)	-	(2,500,000)
Inventories, net	691,273,551	565,540,591	602,464,116	503,154,616

As at December 31, 2007 and 2006, the Company has pledged inventories of approximately Baht 113 million and Baht 63 million, respectively to secure short-term loans from financial institutions. For the years ended December 31, 2007 and 2006, there are loss from disposed stock for the Company and its subsidiary in the amount of Baht 28.27 million and Baht 26.07 million and for the Company only in the amount of Baht 12.19 million and Baht 10.25 million.

## 7. INSURANCE CLAIM

This represents the compensation claimed from an insurance company for certain inventory of the subsidiary that was damaged in a fire accident on 18 November 2006. The insurance company has already made an assessment of the damages, in the amount of Baht 9.97 million. The subsidiary company had already received the compensation claimed from the insurance company completely.

## 8. RESTRICTED BANK DEPOSITS

These represent fixed deposits pledged with the banks to secure credit facilities.

## 9. INVESTMENTS ACCOUNTED FOR UNDER THE COST METHOD

These represent investments in ordinary shares in following subsidiaries and associated company.

Company's name	The Company Only					
	Paid-up capital		Shareholding percentage		Cost (In Thousand Baht)	
	2007	2006	2007 Percent	2006 Percent	2007	2006
<b>Investments in subsidiary companies</b>						
Malee Enterprise Company Limited	Baht 100 million	Baht 100 million	99.99	99.99	99,988,000	99,988,000
Malee Supply Company Limited	Baht 1.75 million	Baht 1.75 million	97.60	97.60	1,708,000	1,708,000
Icon Foods, LLC.	USD 50,500	USD 50,500	99.00	99.00	1,291,000	1,291,000
					102,987,000	102,987,000
Less : Impairment loss on investment					(102,987,000)	(102,987,000)
Investment, net					-	-

## 10. LAND AWAITING IN FUTURE DEVELOPMENT AND ASSETS AWAITING FOR SALES

### 10.1 Land awaiting in future development

Baht

	Consolidated		The Company Only	
	2007	2006	2007	2006
Land awaiting in future development, cost	184,096,481	184,096,481	184,096,481	184,096,481
Deduction of difference amounts per lands appraisal	(68,336,860)	(68,336,860)	(68,336,860)	(68,336,860)
Land awaiting in future development per appraisal	115,759,621	115,759,621	115,759,621	115,759,621

Land awaiting in future development consisted of:-

1. Lands locate at Baan-muang district, Sakonnakorn province, the land space is in total of 1257 rai 5 ngarn 12 square wah. The lands have been acquired since the year 2003, at the cost amounting to Baht 26.11 million, The appraisal prices of the lands from independent appraiser were in the amount of Baht 24.93 million which was made in June 2004. Currently, the lands were used for growing corn to produce raw materials for the Company.
2. Lands locate at Muang district, Ratchaburi province, the land space is 695 rai 1 ngarn 33 square wah. The lands have been acquired since the year 1992, at the cost amounting to Baht 157.49 million, the appraisal prices of the lands from independent appraiser were in the amount of Baht 90.82 million which was made in June 2004. Currently, the lands were charged as non-operated lands.

### 10.2 Assets awaiting sales

Baht

	Consolidated		The Company Only	
	2007	2006	2007	2006
Net book value	8,419,941	6,906,840	8,419,941	6,906,840
Less: Allowance for impairment loss	(8,190,139)	(6,906,840)	(8,190,139)	(6,906,840)
Assets awaiting sales, net	229,802	-	229,802	-

The outstanding balance consists of idle equipment and machinery. The Company's management believes that such allowance for impairment loss is adequate in the current circumstances.

## 11. PROPERTY, PLANT AND EQUIPMENT

Consolidated (Restated)

	Cost basis								Baht
	Revaluation basia Land	Buildings	Land and buildings improvement	Machinery and equipment	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Elimination	Total
<b>Cost / Revalued amount:</b>									
As at December 31, 2006	212,628,750	243,233,237	92,495,263	1,194,365,486	19,500,496	126,665,177	257,699,405	(301,913)	2,146,285,901
Acquisition	-	-	1,684,508	41,687,995	332,962	12,024,138	18,130,861	-	73,860,464
Capitalize of interest expenses	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(10,499,320)	(1,412,377)	(2,288,220)	-	-	(14,199,917)
Transfer in (out)	-	1,462,885	11,648,915	189,945,869	133,000	1,888,708	(229,971,666)	-	(24,892,289)
Write-off	-	(12,740,020)	(421,309)	(8,843,690)	-	(14,016)	-	-	(22,019,035)
As at December 31, 2007	212,628,750	231,956,102	105,407,377	1,406,656,340	18,554,081	138,275,787	45,858,600	(301,913)	2,159,035,124
<b>Accumulated depreciation :</b>									
As at December 31, 2006	-	117,472,188	73,810,217	881,012,231	11,319,558	105,304,583	-	(153,083)	1,188,765,694
Depreciation charge for the period	-	9,641,152	8,052,702	104,404,370	3,340,056	10,295,682	-	-	135,733,962
Depreciation on disposals	-	-	-	(1,675,904)	(832,559)	(2,245,465)	-	-	(4,753,928)
Transfer in (out)	-	10,310	1,035,941	(20,787,927)	(355,507)	868,946	-	-	(19,228,237)
Depreciation for write - off	-	(8,632,658)	(276,884)	(8,668,730)	-	(14,015)	-	-	(17,592,287)
As at December 31, 2007	-	118,490,992	82,621,976	954,284,040	13,471,548	114,209,731	-	(153,083)	1,282,925,204
<b>Allowance for impairment loss :</b>									
As at December 31, 2006	-	2,157,765	-	3,750,053	-	-	-	-	5,907,818
Transfer in (out)	-	(2,157,765)	-	(3,750,053)	-	-	-	-	(5,907,818)
As at December 31, 2007	-	-	-	-	-	-	-	-	-
<b>Net book value :</b>									
As at December 31, 2007	212,628,750	113,465,110	22,785,401	452,372,300	5,082,533	24,066,056	45,858,600	(148,830)	876,109,920
As at December 31, 2006	212,628,750	123,603,284	18,685,046	309,603,202	8,180,938	21,360,594	257,699,405	(148,830)	951,612,389
<b>Depreciation for years ended December 31,</b>									Baht
2007									135,733,962
2006									111,860,289

The Company Only (Restated)

Baht

	Cost basis							Total
	Revaluation basia Land	Buildings	Land and buildings improvement	Machinery and equipment	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	
<b>Cost / Revalued amount:</b>								
As at December 31, 2006	212,628,750	243,233,237	77,986,756	1,194,365,486	18,135,890	92,457,647	256,758,409	2,095,566,175
Acquisition	-	-	1,254,508	41,687,995	323,462	1,524,460	17,765,661	62,556,086
Capitalize of interest expenses	-	-	-	-	-	-	-	-
Disposals	-	-	-	(10,499,320)	(1,181,257)	(1,459,745)	-	(13,140,322)
Transfer in (out)	-	1,462,885	11,648,914	189,945,869	133,000	946,612	(229,029,570)	(24,892,290)
Write - off	-	(12,740,020)	(421,309)	(8,843,690)	-	(14,016)	-	(22,019,035)
As at December 31, 2007	212,628,750	231,956,102	90,468,869	1,406,656,340	17,411,095	93,454,958	45,494,500	2,098,070,614
<b>Accumulated depreciation :</b>								
As at December 31, 2006	-	117,472,188	62,784,608	881,012,231	10,569,431	83,334,185	-	1,155,172,643
Depreciation charge for the period	-	9,641,152	7,122,196	104,404,370	3,212,073	4,192,872	-	128,572,663
Depreciation on disposals	-	-	-	(1,675,904)	(759,108)	(1,397,357)	-	(3,832,369)
Transfer in (out)	-	10,310	1,035,942	(20,787,927)	(355,507)	868,946	-	(19,228,236)
Depreciation for write - off	-	(8,632,658)	(276,884)	(8,668,730)	-	(14,015)	-	(17,592,287)
As at December 31, 2007	-	118,490,992	70,665,862	954,284,040	12,666,889	86,984,631	-	1,243,092,414
<b>Allowance for impairment loss :</b>								
As at December 31, 2006	-	2,157,765	-	3,750,053	-	-	-	5,907,818
Transfer in (out)	-	(2,157,765)	-	(3,750,053)	-	-	-	(5,907,818)
As at December 31, 2007	-	-	-	-	-	-	-	-
<b>Net book value :</b>								
As at December 31, 2007	212,628,750	113,465,110	19,803,007	452,372,300	4,744,206	6,470,327	45,494,500	854,978,200
As at December 31, 2006	212,628,750	123,603,284	15,202,148	309,603,202	7,566,459	9,123,462	256,758,409	934,485,714
<b>Depreciation for the years ended December 31,</b>								<b>Baht</b>
2007								128,572,663
2006								107,423,258

For the year ended December 31, 2007, the Company made a write-off for the non-existed assets and the assets to which the details were not clearly identified. The cost of these assets amounted to Baht 22.02 million with the net book value of baht 4.43 million which the Company booked it against account "provision for impairment of assets" (provided since 2006).

As at December 31, 2007 and 2006, the Company has motor vehicles and machineries acquired under hire-purchase agreements and finance lease agreements, with net book value amounting to approximately Baht 112 million and Baht 82 million, respectively.

As at December 31, 2007 and 2006, certain buildings and equipment items of the Company and its subsidiary have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 613 million and Baht 626 million, respectively (in the financial statement of the Company only amounted to approximately Baht 587 million and Baht 604 million, respectively).

## 12. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2007 and 2006, bank overdrafts and short-term loans from financial institutions were as follows:-

	Annual interest rate	Baht			
		Consolidated		The Company only	
		2007	2006	2007	2006
Bank overdrafts	MOR	12,065,252	17,079,943	12,065,252	17,079,943
Short-term loans	MLR, MRR+1.25%	478,897,047	514,237,376	478,897,047	514,237,376
<b>Total</b>		<b>490,962,299</b>	<b>531,317,319</b>	<b>490,962,299</b>	<b>531,317,319</b>

## 13. LIABILITIES UNDER HIRE-PURCHASE AGREEMENTS

	Baht			
	Consolidated		The Company only	
	2007	2006	2007	2006
Hire-purchase creditors	74,023,326	82,066,163	74,023,326	82,066,163
(Less) deferred interest	(7,569,735)	(9,218,957)	(7,569,735)	(9,218,957)
	66,453,591	72,847,206	66,453,591	72,847,206
(Less) portion due within one year	(17,519,866)	(16,118,168)	(17,519,866)	(16,118,168)
<b>Hire-purchase creditors, net of current portion</b>	<b>48,933,725</b>	<b>56,729,038</b>	<b>48,933,725</b>	<b>56,729,038</b>

## 14. LIABILITIES UNDER FINANCE LEASE AGREEMENT

	Baht			
	Consolidated		The Company only	
	2007	2006	2007	2006
Financial lease agreement	2,914,350	4,190,370	2,914,350	4,190,370
(Less) deferred interest	(163,558)	(359,828)	(163,558)	(359,828)
	2,750,792	3,830,542	2,750,792	3,830,542
(Less) current portion due within one year	(2,750,792)	(1,079,750)	(2,750,792)	(1,079,750)
<b>Financial lease agreement, net of current portion</b>	<b>-</b>	<b>2,750,792</b>	<b>-</b>	<b>2,750,792</b>

The Company has entered into financial leases agreement with leasing companies for rental of the motor vehicles for operation and committed to pay rental fee on a monthly basis.



## 15. LONG-TERM LOANS

As of December 31, 2007 and 2006, the outstanding long-term loans from financial institutions consisted of the following:-

Loan	Interest rate (%)	Repayment schedule	Baht	
			Consolidated / The Company Only 2007	2006
1.	MLR	Monthly installments of not less than Baht 1.7 million each, with the final installment due in September 2007	-	20,355,000
2.	MLR	Monthly installments of not less than Baht 2.5 million each, with the final installment due in September 2008	27,000,000	58,500,000
3.	MLR	Monthly installments of not less than Baht 2 million each, and is to be repaid in full within January 2009	72,512,534	24,500,000
Total			99,512,534	103,355,000
Less : Current portion			(99,000,000)	(76,355,000)
Net			512,534	27,000,000

### Long-term loan no. 2:

Since December 16, 2005 the Company entered into a debt restructuring agreement with a local bank, whereby it was agreed that the short term loans and trust receipts amounting to Baht 90 million would be restructured to a long-term loan. The Company therefore reclassified those loans as long term loans from financial institutions. Such long-term loan is to be repaid in monthly installments of not less than Baht 2.5 million each, with the final installment due in September 2008.

### Long-term loan no.3:

On 26 December 2005 the Company entered into a loan agreement with a local commercial bank granting facilities of Baht 120 million, comprising trust receipts payable amounting to Baht 85.5 million and a long-term loan amounting to Baht 34.5 million. The loan is repayable in 30 monthly installments of not less than Baht 2 million each, with the first of these due in August 2006 and is to be repaid in full within January 2009. This loan is secured by the pledge of machinery. As at 31 December 2006 long-term credit facilities of the Company under this agreement amounting to Baht 5.5 million have yet to be drawn down.

## 16. SHARE CAPITAL AND LEGAL RESERVE

In the first quarter of 2006, two convertible preference shareholders had requested the conversion of 20 million convertible preference shares into 20 million ordinary shares (1 convertible preference share for 1 ordinary share). On 3 March 2006, the Company registered the increase in its share capital with the Ministry of Commerce. On 22 March 2006, the Annual General Meeting of the Company's shareholders passed a resolution approving the increase in the Company's registered share capital to Baht 999,990,000 consisting of 99,999,000 ordinary shares of Baht 10 each.

Under the provision of the civil and commercial code, the Company is required to set aside as statutory reserve at least 5% of its net income at each dividend declaration until the reserve reaches 10% of authorized capital. The reserve is not available for dividend distribution.

## 17. PROVIDENT FUND

The Company, a subsidiary and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 3.0 percent of their basic salaries, and by the Company and its subsidiary at the same rate, and will be paid to employees upon termination in accordance with the rules of the fund. The fund is managed by Kasikorn Asset Management Company Limited. For the three-month and the nine-month periods ended December 31, 2007 and 2006, the Company and its subsidiary contributed at approximately Baht 2.40 million and Baht 2.43 million respectively to the provident fund.

## 18. PROMOTIONAL PRIVILEGES

The Company has received promotional privileges from the Board of Investment for the manufacture of canned vegetables, pursuant to the promotion certificate No. 1089/2542 issued on 31 March 1999. Subject to certain imposed condition, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (6 August 2001) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

Revenues of the Company for the years ended December 31, 2007 and 2006 are below divided between BOI promoted activities and non-BOI promoted activities.

	Baht					
	BOI promoted		Non-BOI promoted		Total	
	2007	2006 (Restated)	2007	2006 (Restated)	2007	2006 (Restated)
Sales	422,437,932	330,472,052	3,200,421,371	3,392,472,262	3,622,859,303	3,722,944,314

## 19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Reconciliation between basis earnings per share and diluted earnings per share is prese below :

	Consolidated					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
	Baht	Baht (Restated)	Shares	Shares	Baht	Baht (Restated)
<b>Basic earnings per share</b>						
Net income	(92,520,989)	26,112,483	70,000,000	66,648,000	(1.32)	0.39
<b>Effect of dilutive ordinary shares</b>						
20,000,000 non-cumulative, convertible preference shares	-	-	-	3,352,000	-	(0.02)
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	(92,520,989)	26,112,483	70,000,000	70,000,000	(1.32)	0.37
	The Company Only					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2007	2006	2007	2006	2007	2006
	Baht	Baht (Restated)	Shares	Shares	Baht	Baht (Restated)
<b>Basic earnings per share</b>						
Net income	(89,545,800)	14,892,314	70,000,000	66,648,000	(1.28)	0.22
<b>Effect of dilutive ordinary shares</b>						
20,000,000 non-cumulative, convertible preference shares	-	-	-	3,352,000	-	(0.01)
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	(89,545,800)	14,892,314	70,000,000	70,000,000	(1.28)	0.21

## 20. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries operate in a single industry segment, the manufacture and distribution of canned fruits, fruit juices and drinks and in a single geographical area, Thailand. As a result, all of the revenues, operating profit and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographical area. For the year ended December 31, 2007 and 2006, the segmented sales income and fixed assets are as follows:-

	Consolidated (Baht)					
	Export sales		Local sales		Total	
	2007	2006	2007	2006	2007	2006
Sales	1,327,725,559	1,712,816,398	2,676,524,872	2,385,816,901	4,004,250,431	4,098,633,299
Fixed assets-net					876,109,920	951,612,389

	Consolidated (Baht)					
	Export sales		Local sales		Total	
	2007	2006	2007	2006	2007	2006
Sales	1,327,725,559	1,712,816,398	2,295,133,744	1,990,127,916	3,622,859,303	3,702,944,314
Fixed assets-net					854,978,200	934,485,715

## 21. CREDIT FACILITIES

Credit facilities granted to the Company and its subsidiary by banks and financial institutions are secured by the mortgage/pledge of deposits at financial institutions, certain plots of its lands, buildings, some machineries and inventories and by the guarantees of a related company and the Company's former directors of the Company and its subsidiaries.

In addition, credit facilities granted to the subsidiary by financial institutions are secured by the guarantee provided by the Company.

## 22. COMMITMENTS AND CONTINGENT LIABILITIES

### 22.1 Commitments

As at December 31, 2007 and 2006, the Company and its subsidiary had the following commitments :-

- The Company had commitments of approximately USD 1.7 million and Baht 2.1 million in relation to purchase of raw materials, respectively.
- As at December 31, 2007, the Company and its subsidiaries have commitments relating to the lease agreements for land, head office buildings, godown, office equipments, vehicles and service fee whereby future payments are required in the following amounts: -

<u>Payable within</u>	<u>Million Baht</u>
1 year	27.86
2 to 3 year	14.99

- Under commitment revealed on b), as at December 31, 2007, the Company and a subsidiary committed with two domestic companies in respect to long-term lease agreement for rental forklift of 29 units and vehicle of 4 units, the term of agreements covering for 4 to 5 years long, commencing from April 2006 and terminating in December 2011. The Company and a subsidiary shall paid monthly rental charge for the forklift of 29 units in totaling of Baht 536,000.00 (excluding VAT) through 48 months of the lease term and shall paid for monthly rental charge of the vehicle of 4 units in totaling of Baht 91,000.00 (excluding VAT) since the first month until the sixtieth month (1 to 60).

### 22.2 Bank guarantees

As at December 31, 2007 and December 31, 2006, there were outstanding bank guarantees of approximately Baht 6.8 million and Baht 6.8 million, respectively issued by banks on behalf of the Company in respect of certain performance bonds as required in the ordinary course of its business.

### 22.3 Guarantee

As at December 31, 2007 and December 31, 2006, the Company had guaranteed Baht 125 million and Baht 105 million, respectively loans obtained by a subsidiary from financial institutions and its subsidiary had guaranteed loans of the Company amount to Baht 300 million and Baht 300 million, respectively.

These guarantees are effective for as long as the underlying obligations have not been discharged by that the Company or its subsidiary.

Guarantee fees have been charged between the Company and its subsidiary at 0.25 percent of the guarantee amount.

#### 22.4 Litigation

The financial institution sued the Company, as the guarantor of a former subsidiary, for a total of Baht 24 million (including interest of Baht 4 million). The Company has set aside a provision of Baht 12 million. However, in the first quarter of 2005, the Company and its former subsidiary negotiated compositions with that financial institution, whereby agreement was reached that the Company will pay indebtedness totaling Baht 20 million plus interest in installments as per the provisions of the agreement. The Company has recorded the Baht 8 million difference in the income statement in the first and second quarter of 2005 and presented the outstanding balance of this liability as "Liability from guarantee" in the balance sheet. In addition, in the second quarter of 2005, the former subsidiary negotiated compositions with the Company, whereby agreement was reached that the former subsidiary will pay indebtedness totaling Baht 16 million (the indebtedness to two financial institutions) in installments per the provisions of the agreement. For prudent reason, the Company will record the transactions when it receives settlement from the former subsidiary. For the year ended December 31, 2007, the Company received the repayment of debt from the said subsidiary company in the amount of Baht 1.55 million.

## 23. FINANCIAL INSTRUMENTS

### 23.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivables and other accounts receivable as stated in the balance sheet.

#### Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdraft, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at December 31, 2007 and 2006 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

## The Company Only as at December 31, 2007

	Fixed interest rates			Non- interest	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Floating interest rate (Million Baht) bearing			
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	2	-	2	0.75
Trade accounts receivable	-	-	-	492	492	-
Deposits at financial institutions with restrictions	78	-	-	-	78	1.5 - 4.25
	78	-	2	492	572	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	-	-	491	-	491	MOR, MLR, MRR + 1.25
Factoring payable	-	-	27	-	27	MLR
Trade accounts payable	-	-	-	1,248	1,248	-
Other accounts payable	-	-	-	47	47	-
Hire-purchase creditors	-	67	-	-	67	6
Liability under financial lease agreement	-	3	-	-	3	15
Long-term loans	-	-	100	-	100	MLR
Financial liabilities	-	70	618	1,295	1,983	

## The Company Only as at December 31, 2007 (Restated)

	Fixed interest rates			Non- interest	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Floating interest rate (Million Baht)			
<b>Financial Assets</b>						
Cash and cash equivalent	-	-	5	-	5	0.5
Trade accounts receivable	-	-	-	507	507	-
Deposits at financial institutions with restrictions	58	-	-	-	58	1.5 - 3.75
	58	-	5	507	570	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	-	-	531	-	531	MOR, MLR, MRR + 1.25
Factoring payable	-	-	48	-	48	MLR
Trade accounts payable	-	-	-	1,073	1,073	-
Other accounts payable	-	-	-	42	42	-
Hire-purchase creditors	-	73	-	-	73	6
Financial lease	-	4	-	-	4	15
Long-term loans	-	-	103	-	103	MLR
	-	77	682	1,115	1,874	

### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at December 31, 2007 and 2006 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Asset / liability exchange rate as at 31 December 2007
	(Baht)	(Baht)	(Baht per 1 foreign currency unit)
US dollar	1,090,961	640,948	33.65/33.89
Euro	4,557	-	49.04/49.62

Foreign currency	Financial assets	Financial liabilities	Asset / liability exchange rate as at 31 December 2007
	(Baht)	(Baht)	(Baht per 1 foreign currency unit)
US dollar	1,579,790	490,058	35.86/36.23
Euro	-	835	47.03/47.77

As at December 31, 2007, the outstanding forward currency exchange contracts are summarized as follows:-

	Currency	Amount	Exchange rate per contract (Baht/USD dollar)	Contract due date As from the balance sheet date
Trad account receivable	USD	137,527.57	33.722	02/05/2008
	USD	434,516.60	33.720	02/05/2008
	USD	300,000.00	33.440	23/06/2008
	USD	500,000.00	33.900	30/04/2008
	USD	608,339.20	33.895	30/04/2008
	USD	500,000.00	33.550	20/06/2008

### 23.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 24. ERROR CORRECTION TO PRIOR YEAR'S RECORD

In 2006, the Company and its subsidiary entered into long-term lease agreements, covering 4 - 5 years period since 2006 to 2011 with a domestic leasing company for leases of 29 forklifts and 4 trucks. At that time, the management considered such lease agreements as finance lease and recorded leased asset as an asset and liability in the Company and its subsidiary's balance sheet and the Company's balance sheet and calculated its depreciation as period expenses over the estimated useful life. However, later in 2007 the management had reconsidered the long-term lease agreements of the leased property and found the fact that the leases agreements should be treated as an operating lease rather than finance lease because the substance of the lease is merely that of a rental as the management of the Company and its subsidiary has no objective to take possession of the leased property and having no option to purchase the leased assets after the lease agreement expired. This means that there is no reason to expect that the Company and its subsidiary will derive any future economic benefit from the leased assets beyond the lease term. In addition, the leases also included other substances of operating lease conditions such as ownership rights on the leased assets holding by the lessor, bearing tax burden and insurance fee by lessor, having restricted area in normal usage of the leased assets, providing a fixed schedule of repairing and maintenance on the leased assets by the lessor, in case of having incomplete of repairing on damaged asset to proper use within 24 hours then reserving of the new one for the old one until the repairing completed by lessor and all related expenses incurred carrying by lessor such transportation cost, carrying asset charge, etc. When terminating of the lease-term, the Company and its subsidiary has to return all the leased assets including its equipment to the lessor properly, the lease-term can be renewed one year long per time by associated of both parties.

As a result, the Company and its subsidiary has corrected errors in this recording of the lease agreements in accordance with TAS 29; Long-Term Lease which required an operating lease is relatively simple; rental expense should be charged to period expenses through the lease-term and not to record asset and liability on leased asset on the balance sheet of the Company. In this case, the Company and its subsidiary has to correct the errors in the preceding year's financial statements as at December 31, 2006 to allow for comparative information, by reversing fixed asset to be reduced of Baht 19.80 million for the Company and its subsidiary's balance sheet and 15.82 million for the Company's balance sheet and liability on long-term leases to be reduced of Baht 20.65 million for the Company's balance sheet and 16.56 million for the Company's balance sheet and by calculating the cumulative effect of the errors for adjusting with beginning period retained earnings of the Company and its subsidiary and the Company only as at January 1, 2007 to be increased of Baht 0.85 million and 0.74 million, respectively, and applying retroactive effect into net profit (loss) of the Company and its subsidiary and the Company only to be increased of Baht 0.85 million and 0.74 million, respectively and earning (loss) per share to be increased of Baht 0.02 and 0.01 on the Company and its subsidiaries and the Company income statements for the year ended December 31, 2006, respectively to allow for comparative information which shall be effect to the financial statement since second quarter of the year 2006.

## 25. CHANGE IN ACCOUNTING POLICY

On January 1, 2007 the Company has changed the accounting policy for investments in subsidiaries from the equity method to the cost method in the separate financial statements, in accordance with the Federation of Accounting Professions' announcement No. 26/2006 regarding the accounting practice for Accounting Standard No. 44: Consolidated Financial Statements and Accounting for Investments in subsidiaries dated October 11, 2006. The Company retroactively adjusted the separate financial statements in the prior year taken for comparative purpose as if the Company's separate financial statements have always been reflected by using the cost method in their investments in subsidiaries account. Resulting from the change in accounting policy in the separate balance sheet as



at December 31, 2006 is that the investment in a subsidiary account that presented in negative figure as at the changing accounting policy date of Baht (67.71) million which had been taken losses by equity method until over its cost will be turned at its initial cost of Baht 102.99 million. The negative figure of investment in a subsidiary account is the key reason that points to its impairment. Therefore, as at January 1, 2007, the Management has recognized this impairment loss until the carrying amount becoming in zero, the taking impaired losses of the investment in totaling of Baht 102.99 million has been recorded and is equal to its initial cost. In addition, the Company has made estimates of contingent liabilities as if the subsidiary would not settle the amount of due to the Company of Baht 59.59 million and forms part of the total amount of due to the Company of Baht 295.18 million. Moreover, the Company has calculated the cumulative effect of the accounting change for applying retroactive adjusting with both beginning period retained earning as at January 1, 2006 and 2007 of the Company's financial statement by increasing the retained earning of Baht 19.22 million and 8.11 million, respectively, and the Company's income statement for the year ended December 31, 2006 to allow for comparative information by decreasing the net profit (loss) of Baht 11.11 million.

## 26. PROVISION OF ESTIMATED LIABILITIES

The Company has provision of estimated liabilities into the Company's balance sheet as at December 31, 2006 and 2007, respectively that if a subsidiary would not settle the obligation of the amount due to the Company of Baht 77.83 million and Baht 59.59 million and forms part of the total liabilities of the subsidiary to the company as at December 31, 2007 and 2006 in the amount of Baht 346.26 million and Baht 295.18 million, respectively. In addition, the Company has also recognized the resulting loss from settled the estimated liabilities and reversal of estimated liabilities into the Company's income statement for the year ended December 31, 2007 and 2006, of Baht 18.24 million and Baht 7.74 million, respectively.

## 27. CORPORATE INCOME TAX

In accordance with taxable conditions on Thailand's revenue code, the Company and its subsidiaries has calculated its net taxable profit (loss) by taking both any forbidding expenditures and any reduced or exceptionable accounting transactions to adding-up or deducting from net profit (loss) under accounting base.

In 2007, the Company has no an amount tax paid causing from having net taxable loss from its operating result.

## 28. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current period classifications, with no effect on previously reported net income or shareholders' equity.

## 29. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Company's Board of Directors on February 25, 2008.



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