

MESSAGE FROM THE EXECUTIVE CHAIRMAN

Introduction

2009 was another challenging year for your Group. Consumer demand remained weak due to uncertainties in the global economy following the 2008 financial crisis. However, I am pleased to report that notwithstanding the difficulties faced, your Group achieved its best ever result in the year under review.

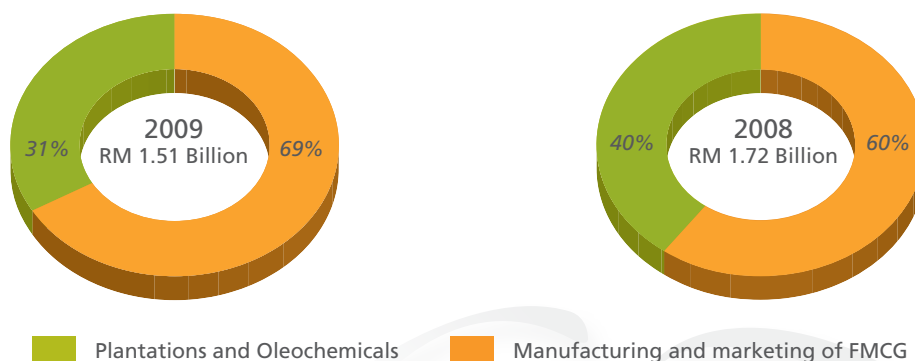
The strong result was possible due to the diversified earnings streams and operational strategies that were put in place. The Group's strategy in brand building and investment in efficient distribution network provided the impetus for the top line and bottom line growth. The recovery of crude palm oil (CPO) price from the second quarter of the year helped push the overall profit to a higher level.

In the previous year, the performance of the Group's fast moving consumer goods (FMCG) and oleo chemical segments were badly affected by the sudden and sharp drop in CPO price towards the end of that year. In 2009, by contrast, both businesses made significant turnaround in the year under review with record performance for the FMCG segment in particular.

Due to the lower average CPO price, plantations division did not perform as well as in the previous year which saw CPO price rising to unprecedented levels.

CPO rose to a peak of RM4,400/MT in March 2008 before plunging to about RM1,600/MT toward the end of that year with the onset of the global financial crisis. However, prices recovered in 2009 to trade within a range of between RM2,200 and RM2,700/MT for most of the period under review. The average CPO price for the year was about RM2,280/MT as compared to RM2,880/MT for 2008, which was RM600/MT or 20.8% lower.

REVENUE BY BUSINESS ACTIVITY



Results

Your Group achieved a pre-tax profit of RM147.22 million for the year, a new high for the Group and 22.5% higher than the pre-tax profit of RM120.13 million achieved in 2008.

Substantial improvement in profits of LAM SOON EDIBLE OILS SDN. BHD. (+213.7%), SOUTHERN LION SDN. BHD. (+359.9%) and PACIFIC OLEOCHEMICALS SDN. BHD. (+12.8%) contributed to the higher Group profit.

Total Group sales turnover was however 12.2% lower at RM1.51 billion as against RM1.72 billion for 2008, due to lower selling prices compared to the previous year.

In line with the improved performance of the subsidiaries and associated companies, your Company received higher dividends. For this reason, its company level profit before tax increased by 17.8% to RM35.20 million for the year under review (2008: RM29.89 million).

Performance of Major Subsidiaries

LAM SOON EDIBLE OILS SDN. BHD. (LSEO)

In view of the depressed market, LSEO intensified its marketing and promotion efforts, including the launching of some new products and expanding its distributorship business. The company made significant inroads in the HPC segment especially in the fabric-care business unit in close collaboration with SOUTHERN LION SDN. BHD.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

The rising trend of CPO price in the year resulted in stock value gains and better margins for the Cooking Oil and Margarine & Fats segments. Lower raw material prices and the strong volume growth of HPC also resulted in better contribution from this segment. Together with the recovery of stock values that had been written down in the year before as a result of the recovery of CPO price, LSEO recorded its best ever profit before tax of RM55.66 million in the year under review (2008: RM17.74 million, +213.7%).

LSEO maintained its RM1.0 billion sales revenue mark notwithstanding the lower average selling price. Overall sales volume increased 2.1% and sales revenue recorded for the year was RM1.044 billion against RM1.049 billion for 2008.

In line with the better financial results, LSEO paid total interim dividends of 17.0% (tax exempt) amounting to RM9.52 million for the year 2009 (2008: 9% tax exempt, RM5.04 million).

LAM SOON PLANTATIONS SDN. BHD. (LSPSB)

LSPSB made a company level profit before tax of RM 66.75 million for the year under review. The profit was 15.4% lower than the profit before tax of RM78.89 million for the year before. The profit achieved was within expectation in view of the lower average CPO price and lower fresh fruit bunch (FFB) production compared to 2008. FFB production declined 2.7% due to aging palm trees. The company will begin its replanting programme from year 2010.

Higher dividend income from its subsidiaries and associated company compensated for the loss in operating profits. Total gross dividend received in the year was RM29.09 million (2008: RM20.40 million, +42.6%).

Profit for DARA-LAM SOON SDN. BHD (DLS), the company's 40% owned plantation associate, was likewise lower. DLS recorded a profit before tax for the year of RM10.28 million as compared to RM21.17million for 2008, down 51.4%. The profit was also affected by the ongoing replanting exercise.

As a result of the lower profits, LSPSB paid lower net dividends of RM13.76 million for the year under review (2008: RM18.02 million).

PACIFIC OLEOCHEMICALS SDN BHD AND PACIFIC OLEO INDUSTRIES SDN. BHD. (POC AND POI)

POC had a difficult year with the slow recovery in the export market and volatile raw material prices. The company took steps to broaden its customer base and implemented additional cost saving and efficiency improvement measures to reduce overall manufacturing cost.

As a result of these initiatives, POC made a profit before tax of RM31.47 million for the year under review, which was 12.8% higher than 2008 profit before tax of RM27.90 million. The higher profit was on the back of a 5.0% increase in sales volume over the same period. Sales revenue was however 34.1% lower at RM388.64 million (2008: RM589.77 million) due to low selling prices.

To meet the demand for a wider range of fatty acids, POC has undertaken a RM 21.50 million capital investment to upgrade its existing plant. The project is scheduled for completion in December 2010.

POI ceased business in January 2008, after transferring all its business undertakings to POC. However, POI paid out of its retained earnings, total net dividends of RM24.39 million for the year (2008: RM8.81 million).

Manufacturing

Your Group places high importance in providing products of superior quality and value to its consumers. It embarked on continuous improvement programmes and successfully maintained the ISO 9001:2000, ISO 14001:2004 and HACCP certification from SGS for its factories and the MS 682:2004 certification from SIRIM for its Cooking Oil.

Your Group also put great emphasis on the importance of Health and Safety at work place; and is pleased that POC's factory in Pasir Gudang, Johor has achieved an outstanding milestone of clocking 5.35 million working hours (10 years) with zero lost time incidences.

In line with the rise in ethical consumerism and current trend on sustainability, your Group is preparing for compliance with the Roundtable on Sustainable Palm Oil Supply Chain Certification System.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

One of the key challenges for manufacturing is cost pressure. The increase in biodiesel demand driven by mandates and subsidies, have resulted in an increase in demand for bio-based feedstock. This will indirectly affect the prices of key raw materials for the HPC segment that is forecast to be on the upward trend.

Similarly, continuous standardisation of food regulations around the world by Codex Alimentarius Commission may impact changes of food regulation in the region, with most countries still adopting their own food standards. Regional trade agreements like AFTA will make compliance to food standard a challenge.

Marketing

Since 2007, the Government has been implementing the Cooking Oil Stabilisation Scheme (COSS) to stabilise consumer price of palm-based cooking oil amid high CPO market prices. Operating under a fixed sales quota allocation and, since August 2009, a new control on shelf price and zero promotion policy hindered growth potential in our cooking oil business unit.

Notwithstanding these constraints, our other branded consumer products defied recessionary pressures and weak market sentiments by sustaining our growth momentum.

On 1 August 2009 LSEO was appointed exclusive distributor in Malaysia by a subsidiary of VIZ BRANZ LTD, a public listed Singapore company, for the "Café 21" and "Gold Roast" brands of coffee mix, tea mix and cereal mix. LEE KUM KEE table sauces business unit resumed its distributorship with LSEO on 1 October 2009. These new product categories added to the overall sales volume and revenue.

Rather than holding back on brand investment during the recession, LSEO has been in the forefront, applying its expertise in R&D, technical packaging and design to develop new product concepts that meet consumers' changing needs. For instance its new eco friendly dish washing liquid, *Bio-home* won numerous design awards, including the 2009 Good Design award by The Chicago Athenaeum Museum of Architecture and Design. Through an independent tasting panel by *Flavours* Magazine (May/June 2010 issue), our new *Knife* Classic Soy Sauce was attested the Top 5 most pleasing soy sauce in Malaysia.

In 2009, your Group continued to dominate the cooking oil, chilled margarine, detergent powder categories and became the fastest growing company in the liquid shower category. Hence, many of its brands received various brand awards and accolades, namely 2009 Readers' Digest Trusted Brand (*Knife*, *Buruh* and *Top*), 2009 BrandLaureate Award (*Knife* and *Top*), 2009 Brand Equity Award (*Bio Zip*), 2009 Domestic Diva Award (*Naturel*) and others. (Sources: AC Nielsen market audit and TNS World panel Malaysia)

Building on our distribution and trade marketing superiority, we expanded the category management captaincy in new product categories such as oyster sauce, soy sauce and chilled margarine / butter with major international retailers.

SOUTHERN LION SDN. BHD. (SOUTHERN LION)

SOUTHERN LION had a record year in 2009. It achieved a record turnover of RM357.83 million for the year (2008: RM301.13 million, +18.8%) and a record net profit after tax of RM30.67 million (2008: RM6.85 million, +347.7%).

Your Group's strong distribution network and LION CORPORATION JAPAN's strong product development provided the basis for growth in SOUTHERN LION. Thanks to the dedication and commitment from its work force, SOUTHERN LION is the undisputed No. 1 detergent company in the country (Sources: AC Nielsen market audit and TNS World panel Malaysia), spearheaded by the company's two flagship fabric-care brands, namely *Bio Zip* and *Top*. The success of these two brands pushed the company's market position ahead of its competitors, including those from global companies.

To meet the increasing market demand and future growth, SOUTHERN LION has embarked on an expansion programme to expand its production and warehousing facilities. These facilities are expected to be ready by end of 2011.

Dividend received from SOUTHERN LION in the year was RM10.00 million as against RM2.75 million received in 2008.

Corporate Social Responsibility (CSR)

Your Group is committed to being socially responsible towards its employees, consumers, stakeholders and the community in which it operates. It continues to undertake activities to support the welfare of orphanages, old folks' homes, training centres for the underprivileged and physically impaired.

Among the activities was LSEO's collaboration with the Ministry of Health Malaysia to create awareness of health and cleanliness in the midst of Influenza A (H1N1) pandemic. LSEO on its part sponsored hand sanitisers and anti-bacteria hand wash to schools and hospitals in the country.

Another such activity is a blood donation campaign held in January 2009, jointly organised with the Sultanah Aminah Hospital, Johor Bahru. The campaign is one of the most appreciated events undertaken under the POC Responsible Care Program.

Prospects

The recovery of the Malaysian economy, which is forecast to have gross domestic product (GDP) growth of more than 5% in 2010, is expected to have a positive impact on your Group's domestic business. We will continue to leverage on our strong balance sheet and brands and extensive distribution network to drive further growth in the FMCG business, capitalising on the current growth momentum and improved consumer sentiments.

We are cautiously optimistic about our volume growth but are wary of the rising cost of raw materials and increase in costs of manufacturing including complying and adopting to the many new regulations and standards. The anticipated increase in competition from cheaper China made goods, with the advent of China-ASEAN Free Trade Agreement, will also have a negative impact on profitability.

Export market for oleo chemicals and edible oils & fats is expected to remain very challenging with the slow recovery in the United States and the mounting debt problems in Europe. The strengthening of the Ringgit will also put pressure on our competitiveness. Nevertheless, we will continue to find our niche and focus on building our customer base to ensure the growth of our export business.

Again, the performance of the plantations division will depend largely on the CPO price. The replanting of the aging palm trees in the LSPSB plantation beginning 2010 will affect contribution from this segment for the next few years.

We have put in place various strategies that have seen us through all these years, and we are constantly reviewing these strategies to ensure that they are in line with current market changes. We are positive that with sound strategies and commitment of our work force, we will continue to achieve good results.

Dividends

During the year, your Company declared and paid an interim dividend of 3.8% (less 25% tax) amounting to net payment of RM6.12 million for the financial year ended 31st December 2009.

In view of the improved performance, your Board is recommending for shareholders approval the payment of a Final and a Special dividend as follows:

- a Final dividend of 4.5% (less 25% tax) amounting to net payment of RM7.25 million (Gross: RM9.66 million)
- a Special dividend of 3.5% (less 25% tax) amounting to net payment of RM5.64 million (Gross: RM7.52 million).

The proposed Final and Special dividends will bring the total net dividend payments for the financial year ended 31 December 2009 to RM19.00 million. (2008: RM13.13 million).

60th Anniversary

2010 marks the 60th anniversary of the LAM SOON Group; we have been in Malaysia since 1958, when we first established a copra milling and refining operation in the country. In 1970s, LAM SOON pioneered the palm oil refining industry in Malaysia by building its first oil fractionation plant to manufacture cooking oil. It then moved upstream and established plantations in both East and Peninsular Malaysia. In 1985, its manufacturing, sales and distribution business were restructured into LAM SOON (M) BERHAD (your Company) to comply with the country's New Economic Policy.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Joint ventures in 1987, with LION CORPORATION JAPAN and AKZO NOBEL, a Dutch chemical multinational, expanded the Group's business to household and personal care and oleochemicals respectively. With the divestment by AKZO NOBEL of its stake in the joint-venture company in 2006, the Group became the 100% owner of AKZO NOBEL OLEOCHEMICALS SDN. BHD., now known as PACIFIC OLEOCHEMICALS SDN. BHD.

In 1999, your Company acquired PACIFIC EDIBLE OIL INDUSTRIES SDN. BHD. [now known as LAM SOON EDIBLE OILS SDN. BHD. (LSEO)]. In 2003, through a stream lining exercise, your Company transferred its business undertakings of manufacturing, sales and distribution to LSEO. To reinforce its distribution network and supply chain, LSEO opened its modern state-of-the-art Distribution Center (DC) in Senai, Johor in September 2006. The DC is the first of a new generation of DC which is equipped with intelligent warehouse management system. The DC complex also houses a modern regional sales office, a test bakery and a demo kitchen.

Today, we are a fully integrated Group in the palm oil industry from plantation, oil milling to refinery, soap and detergents manufacturing to oleochemicals and marketing, distribution of branded FMCG.

We celebrate our 60 year legacy this year, having lived up to our motto , 'Building Brands You Trust', as evidenced most recently by the following awards:

- 2009 Readers' Digest Trusted Brand – *Knife*, *Buruh* cooking oil and *Top* detergent.
- 2009 Brand Laureate Award – *Knife* cooking oil and *Top* detergent.
- 2009 Brand Equity Award – *Bio Zip* detergent.
- 2009 Domestic Diva Award – *Naturel* (Best in cooking oil).
- 2009 International Good Design Award – *Bio-home* dish wash.
- 2009 Malaysia Good Design Mark Award - *May* shower cream, *Zip* dish wash, *Bio-home* dish wash.

Appreciation

On behalf of the Board, I would like to thank you, our loyal customers and business associates for supporting us and for making our brands your most trusted brands over these six decades, our employees and management staff for their hard work and dedication; and our shareholders, for the trust you have in us.

Moving ahead, LAM SOON will continue to invest in our brands and lead the industry with innovative and value-added solutions, for the benefit of all stakeholders.

Thank you.

Whang Tar Liang
Executive Chairman

5 May 2010

