

MESSAGE FROM THE EXECUTIVE CHAIRMAN

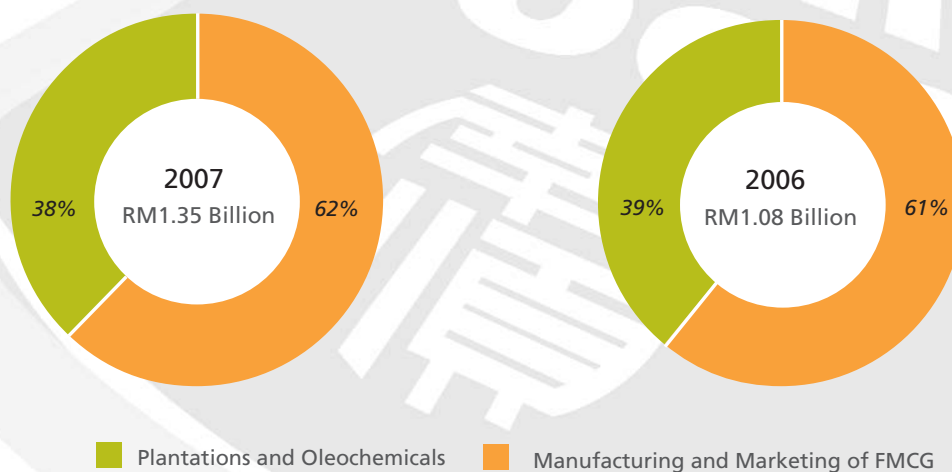
Introduction

I am pleased to report that 2007 has been a year of several records for your Group. It achieved record consolidated revenue of RM1.35 billion, an increase of 25.0% from RM1.08 billion for the previous year, and a record consolidated profit after tax of RM120.2 million, which is RM32.8 million or 37.5% more than the RM87.4 million achieved in 2006.

Your Group's excellent performance is attributed to its good manufacturing and procurement practices, established brands, strong supply chain network, strategic investments, as well as its dedicated workforce. While these are long standing and well recognised strengths of your Group, the management has over the last few years invested steadily to enhance such core competencies. The rise in crude palm oil (CPO) prices and the prudent hedging of the Group's palm oil requirements also contributed to the much improved results in 2007, a year when commodity prices were at its highest.

Despite the high cost of raw materials and high operating costs, all main subsidiaries and associated companies of the Group recorded significant improvement in their operating profits, thereby giving your Group a well diversified earnings stream.

REVENUE BY BUSINESS ACTIVITY



Results

Thanks to the excellent financial performance of its subsidiaries and associated companies, your Group made a pre-tax profit for the year 2007 of RM145.6 million – a new level for the Group (2006: RM100.8 million). Included in the profit for 2006 is an amount of RM37.1 million of negative goodwill arising from the acquisition of the 65% share in POC and POI and the allowance in the diminution in value of investment of RM2.9 million. The negative goodwill is the excess of the fair values of the assets and liabilities of the shares acquired over the consideration paid and recognised as a gain in the income statement in accordance to Financial Reporting Standards (FRS 3). Thus the growth in Group operating profit for the year is more than 120%.

With the profits generated, your Group's net tangible asset per share (NTA) has increased to RM2.85 as at 31 December 2007 (December 2006: RM2.43 and December 2005: RM2.07).

At company level, the profit after tax for the year under review was likewise higher at RM21.0 million, an increase of RM10.2 million or 94.4% (2006: RM 10.8 million). The higher profit was due mainly to the higher dividend income received as compared to the previous year.

The profit achieved for the year is exceptional given the high commodity and fuel oil prices. CPO, which was traded at about RM2,000/MT at the beginning of the year, escalated to close above RM3,100/MT at the end of 2007. The average price for the year is about RM2,480/MT compared to RM1,540/MT for 2006, representing an increase of RM940/MT or 61.0%. This gave rise to the opportunity for stock gains and the prudent hedging of palm oil requirements contributed to the exceptional profits recorded for 2007.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd.)

However, it will be a challenge for the Group to maintain its current profit level in view of the consistently high cost and increasingly volatile prices of commodities and raw materials. To sustain its growth the Group will continue to look for strategic investments and expansion of its current businesses.

Performance of Major Subsidiaries

LAM SOON EDIBLE OILS SDN. BHD. (LSEO)

LSEO sales revenue for the year 2007 improved 18.9% to RM853.0 million (2006: RM717.5 million). It made a pre-tax profit of RM43.2 million for the year, which is 80.8% more than the pre-tax profit of RM23.9 million achieved in 2006. Due to higher tax provisions, the company's after tax profit recorded for the year is RM36.3 million (2006: RM21.9 million), an increase of 65.8%.

The overall improvement in sales volume for the company was made possible by its manufacturing strategy of continuous product and process innovation resulting in improvement in production supply and cost saving. In addition, its marketing strategy of transforming LSEO into a brand-orientated business capitalising on its established brand names and supply chain network has borne fruit. These strategies, together with the stock gains arising from the rise in CPO price and the hedging decisions of the company's palm oil requirements, accounted for the improved profit.

Improved sales volume was recorded across our product portfolio, and in particular for cooking oils and SOUTHERN LION'S products.

LSEO paid a net dividend of RM8.96 million for year 2007, out of which your Company received RM8.94 million (2006: RM6.00 million).

LAM SOON PLANTATIONS SDN. BHD. (LSPSB)

LSPSB benefited from the high CPO price. Its profit from operations increased 192.8% to RM48.9 million (2006: RM16.7 million).

Better yields and higher fresh fruit bunch (FFB) production also accounted for the higher operating profits. FFB production and oil yield per hectare increased by 8.0% and 8.1% respectively.

LSPSB's profit before tax for 2007 at company level was RM64.5 million as against RM41.4 million for the previous year, an increase of 55.8%. Such increase was lower than the increase in operating profits due to lower dividend income received. Dividend income for 2007 was RM15.3 million as against RM16.7 million for 2006.

LSPSB's 40%-owned plantation associate DARA LAM SOON SDN. BHD. (DLS) likewise recorded an improved company level profit before tax of RM11.3 million for the year 2007 compared to RM1.6 million for the year before. DLS is under going replanting and 85% of its plantation has been replanted.

LSPSB paid an interim dividend of 5.2% (less 27% tax) which amounts to net payment of RM6.29 million for the year ended 31 December 2007 (2006: RM4.77 million).

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

The Group's newly acquired oleochemical business produced very good results; pre-tax profit almost doubled from the previous year, increasing from RM25.3 million to RM49.1 million. For the second consecutive year, it has won all six Gold Corporate Awards for responsible care awarded by CICM (Chemical Industries Council of Malaysia) in 2007. The award covers Distribution code, Product Stewardship code, Process Safety code, Employee Health & Safety Code, Pollution Prevention and Community Awareness & Emergency Response code. The company exports its products globally and its trademark *Kortaacid* is well recognised and accepted by multi-national customers as premium products.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd.)

The businesses of POC and POI were merged with effect from January 2008, with POC taking over all the business undertakings of POI. The merger is intended to improve the overall efficiency of the Group's oleochemical unit.

POC intends to expand its production capacities to meet the growing demand for its products and at the same time facilitate further growth of the company's business in the future. To this end, POC has acquired 30 acres of industrial land in Tanjong Langsat, Johor.

POI paid total interim dividend of RM 9.48 million for the financial year ended 31 December 2007 (2006 POI & POC combined dividends: RM13.56 million).

Manufacturing

2 The Group continues to focus on its product and process innovation to achieve greater production efficiency and product acceptability at a lower cost. Emphasis has been placed on research and development and in 2007 a number of innovative products in the household and personal care category were produced and marketed by LSEO, including the successful re-launch of the 5kg *Buruh* cooking oil in a unique octagonal carton which is stronger, and easier to stack and store.

In response to the growing demand for cocoa butter substitute in the new emerging markets of Eastern and Central Europe, LSEO has invested in a fully automated dry fractionation plant for the production of specialty fats in Pasir Gudang; this will be commissioned and fully operational in mid-2008.

Export sales value of LSEO edible oils increased in 2007 primarily due to higher oil prices. In the Middle East and South Asia, sales for the chilled butter blends increased as substitute for pure butter and anhydrous milk fat.

The company has actively participated in trade exhibitions and shows to promote our products worldwide and domestically. All our products are 'halal' certified – such 'halal' certification is becoming increasingly associated with quality and can command a premium price.

Human resource development remains a critical success factor for the Group. The skills and knowledge of employees in our factories are being upgraded continually through structured training programmes.

Marketing

It has been a key strategy of LSEO to adopt a brand-oriented approach to its business. Over the years, LAM SOON has acquired expertise in brand management of fast moving consumer goods (FMCG) and insights into Malaysian consumer behaviour. Such expertise has given LSEO a critical competitive advantage.

Mass media communications were enhanced with customer relationship management and aggressive on-ground activities. Hence, our core brands continued to grow in terms of sales volume and brand in their respective product categories. LAM SOON's market leadership in the cooking oil category remains unchallenged, with our brands continuing to win various brand accolades as follows:

Knife

2008 Reader's Digest Trusted Brand (Gold)

Buruh

2008 Reader's Digest Trusted Brand (Gold)

Naturel

2007 Prestige Brand Award (Malaysia & Singapore)

2007 Singapore Institute of Food Science Technology Healthier Choice Award

Besides, our *Daisy* corn oil became the No. 1 brand in the corn oil segment.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd.)



In 2007, LSEO continued to extend our wholesale network in the traditional retail channel to complement our strong branch network, thereby enhancing the availability and visibility of our products in the market. LSEO also gained further inroads in the modern trade by securing the bath care category captaincy in several international retail chains.

The Group's supply chain infrastructure with branches and depots covering the whole country provides strong support for the distribution of its FMCG. The Group's modern state-of-the-art Distribution Centre in Senai, Johor, within the IDR (Iskandar Development Region), is now in full operation, catering for the Southern Peninsular Region, including exports to Singapore. At the same time the Group is up-grading and building new premises elsewhere in Malaysia. In addition to investments in the bricks and mortars of our supply chain, LSEO has successfully implemented its computerised warehouse management system in Senai Distribution Centre, which it will roll out across its branch network.

SOUTHERN LION SDN. BHD. (SOUTHERN LION)

Our joint-venture company, SOUTHERN LION SDN. BHD. (SOUTHERN LION) celebrated its 20th anniversary in 2007. The partnership between your Company and LION CORPORATION OF JAPAN (LION), which has grown from strength to strength over the years, has proven to be a successful model of strategic partnership. On the one hand, LION has world class R&D, a strong portfolio of quality products for household and personal care and a network of suppliers in the region. On its part LAM SOON offers access to its large number of retail customers throughout the country. Most importantly, both companies share a similar management philosophy and culture and renewed their commitment to the long term success of the joint-venture company with the signing of a new Distribution Agreement.

In 2007, SOUTHERN LION achieved the No. 1 position for corporate brand share in the detergent market, with its *Top* detergent and *Bio-Zip* detergent powder. Other products such as *Shokubutsu* shower foam and *Fresh* and *White* tooth paste continue to gain wide market acceptance.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd.)

In 2007 SOUTHERN LION's sales turnover increased by 17.4% to RM280.5 million (2006: RM238.9 million). Its profit before tax increased 8.9% to RM14.6 million from RM13.4 million for 2006. For the year 2007, SOUTHERN LION contributed to your Company dividend of RM 6.85 million (2006: RM3.97 million).

Corporate Social Responsibility (CSR)

In its quest to improve its financial performance, your Company did not forget its responsibility towards the underprivileged. In 2007, your Company was involved in the social and welfare activities for the needy such as orphanage, old folks homes, underprivileged boys and girls training centers. With your Group's strong financial standing, the management intends to continue doing its part to contribute to such worthy causes.

Prospects

The FMCG industry has never been more challenging. The relentless surge of raw material prices, fuel costs and international competition has added to the pressure of managing our business. The overall volatility of global edible oils has created higher production cost on one hand while encouraging market price for CPO on the other. At the same time, the weak US dollar will continue to affect our export earnings.

However, we are confident that with its diversified upstream and downstream palm oil processing and business activities your Group will be able to withstand such adversities. To do so however, it has to be vigilant at all times and continue to monitor the changes in the market place and take proactive measures to protect its profits, including hedging its raw material requirements. Your Group will continue to place strong emphasis on improving its competitiveness while seeking new avenues for growth.

Your Group's objective is not only to meet the unique needs of our consumers but to ensure long term shareholders' value growth. We have every confidence for the future as we continue to build the Group into a leading player in the Palm Oil and FMCG industry.

Dividends

Your Company paid an interim dividend of 5.0% (less 27% tax) amounting to RM7.84 million for the financial year ended 31 December 2007 on 26 December 2007.

The Board is pleased to recommend the following additional dividends for the financial year ended 31 December 2007 for approval at the forthcoming Annual General Meeting:

- a Final Dividend of 3.15% (less 26% tax) amounting to RM5.00 million, and
- a Special Dividend of 4.50% (less 26% tax) amounting to RM7.15 million.

With the proposed Final and Special Dividends, the total dividend payment for the financial year ended 31 December 2007 will be 12.65% (less 27%/26% tax) amounting to net payment of RM20.00 million.

The dividend paid for the last financial year was 6.85% (less 27% tax) amounting to RM 10.74 million which was paid to shareholders on 10 August 2007.

Appreciation

On behalf of the Board of Directors, we would like to thank all stakeholders who have supported and assisted us in our business undertakings without which it would have be difficult for the Group to achieve continued growth.

Our sincere appreciation once again to the management and employees of the Group for their dedication, hard work and contribution towards achieving the fine performance.

Whang Tar Liang
Executive Chairman

23 April 2008