
Message from the Chairman

The year 2006 is best described for its wild swing in prices for many commodities, natural rubber included. The price of rubber traded in Tokyo Commodity Exchange (TOCOM) which represented the good indicator started the year at 220 Yens per kilogram and rallied to high of 324 Yens in June, a nearly 47 percent rally in a matter of short 6 months. From the peak, TOCOM rubber reversed its bull trend and collapsed to as low as 185 Yens by November 2006, again in a very short 5 months where the rubber has not only given up all its gain in the first half of 2006 but also managed to trade to the new low in 2006. This has created a significant confusion in the market where many participants were unsure whether the bull run in the rubber market is over. By December 2006, the rubber market has reversed itself and started to climb back to 280 Yens in late January 2007. With such a wild swing of rubber prices in recent months, where one metric ton of rubber could be changed hand within one day at a price differential of US\$100 per metric ton. This occurrence has been an unprecedented event resulting in a huge amount of money being made or lost by the rubber community.

In this context, the management of the company has placed a special emphasis on its risk management to ensure that any negative effects can be contained to a reasonable amount. Hedge funds and commodity funds are now featured daily in our market. Regrettably whether we like it or not, this kind of price volatility will remain with us for a long time to come. What the company can do is to ensure that we have strong risk management procedures to be put in place and strictly adhered to. There is a much closer co-operation between the various units of the company to ensure that the purchasing team is only buying raw material in line with what the sales team can sell. More importantly, our purchasing and sales teams together with the traders based in Thailand, Singapore, China and USA are in daily contact to ensure the best information is filtered through our organization.

Our Indonesian rubber factory has also commenced operation since the second half of 2006. We are pleased to say that the factory is currently run at half of its capacity of 2,000 tons due to the shortage of raw material supply. We anticipate a full production by the second half of 2007. The finished products have been well received by the market and currently we are in a very comfortable position of being able to sell everything the factory is capable of producing.

Overall, 2006 has been a relatively satisfactory year for the group. We have achieved a significant recovery from the losses of the previous year to a very respectable return of 582 million Baht. We expect the positive trend to carry further in 2007. The management would like to take the opportunity to thank all stakeholders, financial institutions, government authorities and our shareholders for their unwavering support of the company in 2006. We look forward to deliver another strong performance for the year 2007.

(Mr. Somwang Sincharoenkul)
Chairman of Sri Trang Agro-Industry Public Company Limited
9th March 2007

Board of Directors

Mr. Somwang	Sincharoenkul	Chairman
Mr. Prasit	Panidkul	Vice Chairman
Mr. Viyavood	Sincharoenkul	Managing Director
Mr. Chaiyos	Sincharoenkul	Director
Mr. Puang	Cherdkiatgumchai	Director
Mrs. Promsuk	Sinchareonkul	Director
Mr. Anan	Pruksanusak	Director
Mr. Kitichai	Sincharoenkul	Director
Mr. Sukit	Attopakorn	Chairman of Audit Committee/ Independent Director
Mr. Prakob	Visitkitjakarn	Audit Committee / Independent Director
Mr. Kriang	Yanyongdilok	Audit Committee/ Independent Director

General Information**Sri Trang Agro-Industry PLC.**

- Main Business : Producer and Exporter Rubber Smoked Sheets, Block Rubber and Concentrated Latex
- Head Office : No.10 Soi 10 Phetkasem Road, Hatyai, Songkhla 90110
Tel 0-7434-4663 (Automatic 14 Lines)
Fax 0-7434-4676, 0-7434-4677, 0-7423-7423
Homepage : <http://www.sritranggroup.com>
- Branch Office : No. 36/82 23rd Floor, P.S.Tower, Sukhumvit 21 (Asoke) Klongtoey Nua, Wattana, Bangkok 10110
Tel 0-2259-2964-71 Fax 0-2259-2958

Factory :

- (1) No. 13/1 Jinggit Road, Thupthiang, Muang, Trang 92000
Tel 0-7521-0500-2 Fax 0-7521-0503
- (2) No. 99/3 Moo 7 Phangla, Sadao, Songkhla 90170
Tel 0-7445-2623-6, 0-7454-1727 Fax 0- 7445-2622
- (3) No. 1 Moo 2 Thumyai, Thungsong, Nakhonsithammarat 80110
Tel 0-7532-9830-3 Fax 0-7542-3118
- (4) No. 399 Moo 7 Tombol Huay Nang, Huay Yod Trang 92130
Tel 0-7529 – 4318-7 Fax 0-7529-4317
- (5) No. 101/1-4 Moo 7 Praiwas, Kajanadis, Surat Thani 84160
Tel 0-89873-1486, 0-81956-0559
- (6) No.68/2 Moo 4 Suradthanee-Punpin Road, Watpradoo Muang, Surut Thani 84160
Tel 0-7720-0521-3 Fax 0-7720-0524
- (7) No. 41/1 Moo 13 Donyang, Pratu, Chumphon 86210
Tel 0-7757-8410-2 Fax 0-7757-8414
- (8) No. 139 Moo 2 Muangpet, Muang, Trang 92000
Tel 0-7521-3273-4 Fax 0-7521-6350

Names, address, telephone and fax numbers of subsidiaries in which the Company holds more than 10% of the shares.

Name	Address	Tel	Fax
Rubberland Products Company Limited	No.109 Kanjanavanit Rd., Pahtong, Hatyai, Songkhla 90230	0-7429-1223-4, 0-7429-1755, 0-7429-1476	0-7429-1477
Siam Sempermed Corporation Limited	No.110 Kanjanavanit Rd., Pahtong, Hatyai, Songkhla 90230	0-7429-1648-9, 0-7429-1471-3, 0-7447-1471	0-7429-1650
Semperflex Asia Corporation Limited	No.110/1 Kanjanavanit Rd., Pahtong, Hatyai, Songkhla 90230	0-7447-1231-5	0-7447-1230
Semperform Pacific Corporation Limited	No.110/2 Kanjanavanit Rd., Pahtong, Hatyai, Songkhla 90230	0-7447-1231-5, 0-7447-1348	0-7447-1230, 0-7447-1347
Num Hua Rubber Company Limited	No.99 Moo 3 Samnakkham, Sadao, Songkhla 90120	0-7441-2268, 0-7441-1982-5	0-7441-2255
Sadao P.S. Rubber Company Limited	No.207/1 Padang Besar Rd., Sadao, Songkhla 90120	0-7446-0483-5	0-7441-1837
Anvar Parawood Company Limited	No.101 Moo 3 Samnakkham, Sadao, Songkhla 90120	0-7441-2756-8	0-7441-2853
Premier System Engineering Company Limited	No.123 Moo 8 Kanjanavanit Rd., Banpru, Hatyai, Songkhla 90250	0-7447-1480-3, 0-7447-1368	0-7447-1290 0-7447-1369 0-7447-1430
Thai Tech Rubber Corporation Limited	No.2 Chuti Uthit 3 Rd., Hatyai, Songkhla 90110	0-7423-0768, 0-7423-0406-7, 0-7423-9063	0-7423-8650
Sempermed USA Inc.	30798 US Highway, 19N, Palm Harbor, Florida 34684 U.S.A.	800-366-9545	800-7635491
Shanghai Foremost Plastic Industrial Company Limited	No.2, Bridge, Beisong Road, Minhang Shanghai 20111, Peoples Republic of China	21-6409-0850, 21-6409-0300	21-64090850,
Startex Rubber Corporation Limited	No.10 Soi 10 Phetkasem Road, Hatyai, Songkhla 90110	0-7434-4663 0-7521-0500-2	0-7521-0503
Thai Tank Installation Company Limited	No.99/1-3 Moo 13 Krissadanakorn 21, Bangna-Trad Rd., Km 7, Bangkaew, Bangplee, Samutprakarn 10540	0-2316-4167-8	0-2751-7022, 0-2316-3938
Starlight Express Transport Company Limited	No.13/1 Jingjit Rd., Thupthiang, Muang, Trang 92000	0-7521-0500-2	0-7521-0503
Sri Trang International Pte Ltd.	1 Raffles Place No.18-01 OUB Centre Singapore 048616	65-6532-5210	65-65327501
Pattana Agro futures Company Ltd.	No. 33/84 Wallstreet Tower 17 th fl., Surawong Road, Bangrak BKK 10500	0-2632-8826	0-2632-8825
Sri Trang U.S.A Inc Ltd.	401 East Market Street Suite 105 harlottesville, Virginia 22902 United States	434 -296-0080	434-296-0098

Name	Address	Tel	Fax
PT Sri Trang Lingga Indonesia	TPA.2 RT.26 & 29 Keramasan, Palembang, Indonesia	62-711-445111	62-711445111
Semperflex Shanghai Co.Ltd	A 20 Industrial Plot, Fengxian Industry Park, Fengxian District Shanghai 20111, Peoples Republic of China	86-21-57448021	N/A

Securities Registrar

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62 Thailand Securities Exchange Building, 4th, 7th Floors, Ratchadaphisek Road, Khlong Toey, Bangkok 10110
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Summary of Financial Results

Operations Performance of Company and Subsidiaries in 2004-2006

	Unit : Thousand Baht		
	2004	2005	2006
Sales income	27,453,548	28,846,514	39,033,979
Total revenue	27,858,622	29,157,580	39,236,709
Gross profit	1,859,757	1,206,343	2,484,127
Net profit (loss)	712,284	(173,050)	582,302
Book value per share – Baht	5	5	5
The weighted average number of common shares	151,737	162,570	200,000
Net profit (loss) per share - Baht	4.69	(1.06)	2.91
Dividend per share – Baht	1.50	0.25	1.50
Total assets	11,157,927	12,545,515	14,755,656
Total liabilities	7,121,098	8,260,273	10,594,206
Paid – up capital	770,000	1,000,000	1,000,000
Minority interest	341,448	429,982	11,216
Book value	4,036	4,285	4,161
Net profit against total revenue	2.56%	(0.59%)	1.48%
Return on equity	17.64%	(4.04%)	13.99%
Return on asset	6.38%	(1.38%)	3.95%

Characteristics of Business Undertakings

Sri Trang Agro-Industry Public Company Limited was founded in 1987 as a producer and exporter of natural rubber products, which is one of the most important agricultural products in the southern part of Thailand. The management has continuously expanded the operation to support the growth of domestic and international rubber industry. The company started business with Rubber Smoked Sheet, which is a main raw material of automobile tire industry, and began producing Concentrated Latex six years later to support the demand from medical latex glove industry and elastic thread industry. In 1997, the company started producing STR Block Rubber in response to a shift in demand toward this type of material from automobile tire industry. Sri Trang Group has the total capacity of 629,900 tons per year which divided into 198,000 tons of Ribbed Smoked Sheet, 244,900 tons of STR Block Rubber and 187,000 tons of Concentrated Latex. In order to become one of the leading companies in the natural rubber industry, the company has expanded into finished products so as to add value to rubber products. The company has created business partnership with both domestic and international investors and founded new companies to support the production in that area that each company can supplement one another in term of raw materials, transfer of technological know-how and services. This business partnership is also one of the key drivers that will enable the company to become a universal rubber producer and one of the largest rubber producers and exporters in Thailand. The company focuses strategically on improving the efficiency of the competitiveness in the international market. Moreover, we have established Trading and Distribution Units in main regions so as to support the marketing activities and improve the abilities to identify new market opportunities. These above factors also help to strengthen the image of Thai company in the global market.

Business Overview

Sri Trang Agro-Industry PLC aims to become one of the leading corporations in rubber industry by starting business from producing basic agricultural products, rubber smoked sheet, concentrated latex and STR block rubber. The company has continuously expanded its business according to economic condition during that particular time. For the past nineteen years, the growth of Thai and global economy allowed the company to expand the capacity of the existing product lines as well as invest in business joint venture to support new production units that will become revenue generator to the company in the future.

To become a leader in the rubber industry, the management realized that the company needs to become a universal producer in order to add value to the product. The company has partnered with domestic and international players to expand product lines and supplement one another in the way that benefit the company. Moreover, the management has created a policy that in line with governmental support namely BOI policy and export driven production which assist the company to have much higher purchasing power than those of domestic market alone. Such initiative has benefited the country as a whole as export brought about millions of foreign currencies while using domestic products as main materials, directly drive more jobs creation, and significantly improve local economy

1. Sri Trang Agro-Industry Public Company Limited (Trang Branch)

Product rubber smoked sheets and concentrated latex.

Location Trang

The company was awarded ISO 9001:2000 by TUV Rheinland in 2003 and ISO 14001:2004 by TUV Rheinland in 2006 for both rubber smoked sheets and concentrated latex.

2. Sri Trang Agro-Industry Public Company Limited (Hatyai Branch)

Product smoked sheets.

Location Hatyai District, Songkhla Province

The company was awarded ISO 9001:2000 by TUV Rheinland in 2003, ISO 14001:2004 by TUV Rheinland in 2004 and OHSAS 18001:1999 by TUV Rheinland in 2003 for smoked sheets.

3. Sri Trang Agro-Industry Public Company Limited (Thungsong Branch)

Product STR block rubber

Location Thungsong

The company was awarded ISO 9001:2000 by TUV Rheinland in 2003, for STR block rubber.

4. Sri Trang Agro-Industry Public Company Limited (Si-Kao Branch)

Product STR block rubber

Location Si-Kao

The company was awarded ISO 9001:2000 by TUV Rheinland in 2005 for STR block rubber.

5. Sri Trang Agro-Industry Public Company Limited (Chumphon Branch)

Product concentrated latex

Capacity 18,000 tons / year

Location Chum porn

The company was awarded ISO 9001:2000 by TUV Rheinland in 2005.

6. Sri Trang Agro-Industry Public Company Limited (Surat Thani Branch)

Product concentrated latex

Capacity 12,000 tons / year

Location Surat Thani

The company was awarded ISO 9001:2000 by TUV Rheinland in 2005.

7. Sri Trang Agro-Industry Public Company Limited (Kanjanadit Branch)

Product concentrated latex

Capacity 12,000 tons / year

Location Kanjanadit

The company was awarded ISO 9001:2000 by TUV Rheinland in 2005.

8. Rubberland Product Company Limited

Product concentrated latex

Capacity 30,000 tons / year

Location Hatyai District, Songkhla Province

The Company was awarded ISO 9001 : 2000 by TUV Rheinland in 2003 Majority of the production is sold among the group which require certain specification and quality for the examination glove industry. The Company was awarded ISO 9001:2000 by TUV Rheinland in 2003

9. Siam Sempermed Corporation Limited

Product	powdered and powder-free latex examination gloves
Capacity	8,000 million pieces / year
Location	Hatyai District, Songkhla Province

This company is the joint venture between the Sri Trang Group and Semperit AG of Austria, considered one of the leading manufacturers latex examination gloves in the world. This is the first Company in Sri Trang Group which was awarded ISO 9001:2000 by TUV Management Service in 2005, ISO 13485: 2003 by TUV Product Service in 2005 and ISO/IEC 17025:2005 by Department of Medical Sciences, Ministry of Public Health in 2006.

10. Thai Tech Rubber Corporation Limited

Product	STR block rubber
Capacity	12,000 tons / year
Location	Songkhla and Trang Province

This company is the joint venture between Sri Trang Agro-Industry PLC. holding 33.5 per cent while Itoh Chu holds 33 per cent and the last 33.5 per cent held by Southland Rubber Co.,Ltd.

11. Num Hua Rubber Company Limited

Product	concentrated latex, smoked rubber sheet 1, air-dried sheet rubber (ADS), skimmed block rubber .
Capacity	73,000 tons / year
Location	Sadao District, Songkhla Province

The company purchases fresh latex as the main raw material to further process as the above mentioned products according to the demand of that particular period. The Company was awarded ISO 9001:2000 by TUV Rheinland in 2003

12. Thai Tank Installation Company Limited

The company rent out concentrated latex storage facilities to exporters. It is located at the deep seaport in Phuket Province.

13. Anvar Parawood Company Limited

The company produces parawood for the furniture industry and parawood pallets for the Sri Trang Group to use in its export business. The factory is located in Sadao District, Songkhla Province. The Company was awarded ISO 9001:2000 by TUV Rheinland in 2003

14. Startex Rubber Company Limited

This Company has approximately 300 rai of rubber and oil palm plantation in Trang Province and Songkhla Province.

15. Shanghai Semperit Rubber & Plastic Products Company Limited

The company produces handrails escalator for both OEM and replacement markets. The factory is located in Shanghai, the People's Republic of China .

16. Sadao P.S. Rubber Company Limited

Product Rubber smoked sheets

Capacity 42,000 tons / year

Location Sadao District, Songkhla Province

The Company was awarded ISO 9001:2000 by TUV Rheinland in 2003

17. Premier System Engineering Company Limited

The company deals with a business in engineering services. Its main business is to do research and development in machinery / production process and IT services for the Sri Trang Group. It is located in Hatyai District, Songkhla Province. The Company was awarded ISO 9001:2000 by Thailand Institute of Scientific and Technological Research (TISTR) in 2004, OHSAS 18001:1999 by TUV Product Service in 2003 and ISO/IEC 17025:2005 by Thai Industrial Standard Institute (TISI) in 2006

18. Starlight Express Transport Company Limited

The business of this company is the logistic services to handle / transport of goods for the Sri Trang Group. Its office is located in Trang Province. The Company was awarded ISO 9001:2000 by Thailand Institute of Scientific and Technological Research (TISTR) in 2004

19. Semperform Pacific Corporation Limited

The company produces injection-moulded rubber and plastic parts for various industries such as electrical appliances industry, infrastructure / construction and rail track system. It is located in Hatyai District, Songkhla Province. The Company was awarded ISO 9001:2000 by TUV Management Service in 2005

20. Semperflex Asia Corporation Limited

Product High-pressure hydraulic hose

Capacity 23.5 million meters / year

Location Hatyai District, Songkhla Province

The production is considered the first producer of high pressure hydraulic hose in Thailand. The major market are EU and U.S.A. which are the major consuming countries in the world. The Company was awarded ISO 9001:2000 by TUV Management Service in 2005

21. Sempermed USA Inc.

The company distributes latex examination gloves in the United States of America. It is a joint venture between Sri Trang Group and Semperit AG of the Republic of Austria.

22. Sri Trang International Pte Ltd.

This 100 per cent owned subsidiary has the objective as the trading/distributing unit for natural rubber products located in Singapore.

23. Pattana Agro futures Co., Ltd

The company has engages in brokerage activities in Agro future market of Thailand (Broker No. 2012) with 40 per cent owned by Sri Trang Agro-Industry Public Company Limited

24. Sri Trang U.S.A. Inc

This 100 per cent owned subsidiary has the objective as the trading/distributing unit for natural rubber products in U.S. market.

25. PT Sri Trang Lingga Indonesia

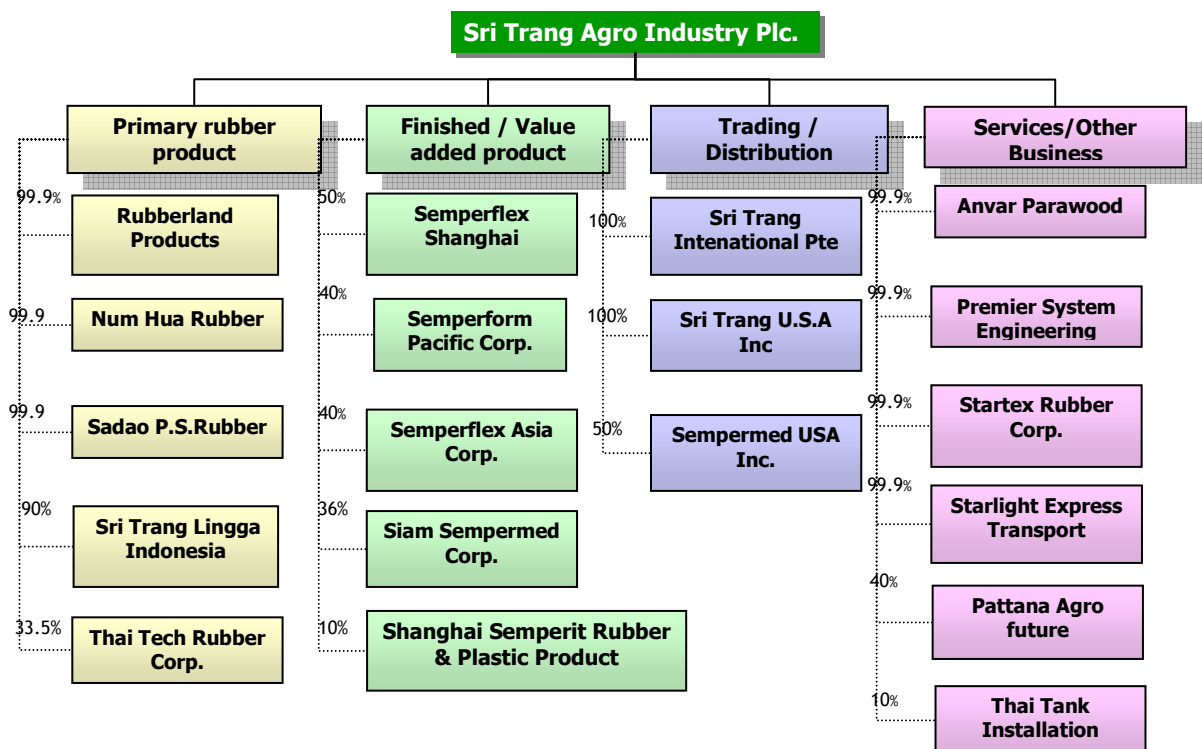
Product SIR block rubber
 Capacity 50,000 tons / year
 Location Indonesia

This company is the joint venture between Sri Trang Agro-Industry PLC and Mr. Indra Muliawan. The initial shareholding structure was 80:20 (STA : Mr. Indra Muliawan). Since December 2006, the shareholding structure has been changed to 90:10 (STA : Mr. Indra Muilawan). Its official operation commenced on 19th December 2006

26. Semperflex Shanghai Company Limited

The company is the joint venture between Sri Trang Agro-Industry PLC holding 50 percent and Semperit AG - Austria, holding 50 percent and produces High Pressure Hydraulic Hose for industrial sector in China. Its official operation will be expected to start in 2007.

Shareholding Structure in the Group



Operation results in the Year 2006

Unit : Thousand Baht

Name	Total Revenues	Profit (Loss)	Total Assets	Total Liabilities	Shareholder's Equity
1. Nam Hua Rubber Company Limited	3,151,839	88,928	1,096,554	880,022	216,532
2. Rubberland Products Company Limited	862,741	67,783	493,706	18,286	475,420
3. Sadao P.S. Rubber Company Limited	813,639	(9,733)	252,570	258,150	(5,580)
4. Premier System Engineering Company Limited	484,640	53,108	240,303	51,722	188,581
5. Anvar Parawood Company Limited	443,741	5,240	49,818	14,485	35,333
6. Starlight Express Transport Company Limited	267,829	15,518	103,780	33,390	70,390
7. Startex Rubber Company Limited	1,725	(697)	51,215	107	51,108
8. Sri Trang International Pte., Ltd.	334,457	3,476	69,287	55,755	13,532
9. Sempermed USA Inc.	60,378	221	24,293	21,503	2,790
10. PT Sri Trang Lingga Indonesia	21,389	(18,466)	162,340	136,814	25,526
11. Siam Sempermed Corporation Limited	6,419,153	103,887	4,033,957	895,465	3,138,492
12. Semperflex Asia Corporation Limited	957,494	206	1,064,259	374,490	689,769
13. Semperform Pacific Corporation Limited	87,002	3,274	89,919	8,367	81,552
14. Sempermed USA Inc.	93,307	195	30,732	26,083	4,649
15. Thai Tech Rubber Corporation Limited	8,856,695	258,792	2,289,034	1,847,833	441,201
16. Pattana Agro futures Co., Ltd	5,645	(533)	101,130	16,252	84,878
17. Shanghai Semperit Rubber & Plastic Products Company Limited	56,206	15,586	135,746	37,205	98,541
18. Thai Tank Installation Company Limited	6,156	(772)	18,283	2,465	15,818
Company 8,9,14	Unit : Thousand US\$				
Company 10	Unit : Million Rupiah				
Company 17	Unit : Thousand Yuan				

Financial information by business segment

Revenue income structure

Unit : Thousand Baht

	2004		2005		2006	
	Income	%	Income	%	Income	%
Ribbed smoked sheet	7,522,378	27%	7,498,400	26%	8,927,186	23%
Concentrated Latex	4,332,923	16%	4,715,710	16%	6,789,368	17%
Block rubber	14,689,124	54%	15,501,999	54%	22,130,192	57%
Other Products	909,123	3%	1,130,405	4%	1,187,233	3%
Total	27,453,548	100%	28,846,514	100%	39,033,979	100%

Product Characteristics

Maior Product Types



Ribbed Smoked

- 5 Grades of Ribbed Smoked Sheets (RSS) 1, 2, 3, 4 and 5.
- ADS (Air Dried Sheet)

Applications

- Raw Material for various industries, Tires, conveyor, belt, rubber pipes, shoes, automotive parts



Block Rubber

- 4 Types of products, STR 10, STR 20, STR5L and STR CV
- SIR (Production in Indonesia)

- Raw Material for manufactured products, mainly tyre manufactures



Concentrated Latex

- Latex with 60% concentration

- Primarily used in the production of examination gloves, condoms and the rubber thread industries.

Finished products	Service & other business
 <p>Medical Examination Glove</p>	 <p>Rubber Plantation</p>
 <p>Rubber and Plastic Parts</p>	 <p>Transportation Services</p>
 <p>High-Pressure Hydraulic Hoses</p>	 <p>Engineering Services</p>
 <p>Escalator Handrails</p>	 <p>Rubber Wood Production</p>

The company's products consist of:

- Rubber Smoked Sheet (RSS) - RSS can be classified into 4 types of product i.e. RSS Grade 2, Grade 3, Grade 4 and Grade 5. The classification relies on the quality of each sheet which shall be used as a raw material in the production of automotive tire products.
- Block Rubber can be classified into 3 major types of products i.e. STR 20, TTR 5L and STR 50. Block rubber, like Rubber smoked sheet, is a raw material for other manufacturing industry, especially tire manufacturers. In general, STR 20 and RSS Grade 3 are substitutable.
- Concentrated latex, Latex with 60% concentration shall be used as a raw material in the productions of latex examination glove, condom, and elastic rubber thread.

In general, demand for the company's semi-raw material products depends on the demand from consumers, which tie directly to the global economic condition. Improved economic environment will positively affect the purchasing power and the propensity to spend especially on motor vehicle products such as cars. For Concentrated Latex, the demands for latex examination gloves, condoms and elastics thread are still showing a continuous growth which directly contributes to the rising demand for natural rubber products. However, the production of natural rubber is subjected to seasonal climate. Normally, the supply of natural rubber drops during March to May and increases to its high position during December to February annually. Buyers can be classified into 3 major groups:

- (1) Automotive tire manufacturers, which comprises of global players like Bridgestone, Michelin, Yokohama, Han Kook, Continental, Goodyear and Pirelli etc. These customer groups are one of the most established companies and have the highest purchasing power since they are leaders in the automobile tire manufacturing business.

- (2) Trading companies in Japan, Singapore and other importers in Asia, China, Taiwan, Korea, America and Europe. These importers have their customer bases with long established relationship which prefer purchasing from agents since they offer various alternatives, such as long-term contract which can reduce delivery time and/or the complicity of exporting documents.
- (3) Domestic customers, including automotive tire industry, latex examination gloves and elastic rubber thread manufacturers. Most of latex related products are produced for export oriented. As a result, domestic consumption of concentrated latex is growing at a satisfactory rate.

Structure of Customer Base

Unit : Ton

Tire producer	Trading and Importing	Domestic user
286,528	121,359	125,975
54 %	23 %	23 %

Changes during the Year

The overall natural rubber industry outlook remained positive for the manufacturers as demands in natural rubber products stayed strong, while the supplies from the plantation came out as normal seasonal pattern, without any natural or climate irregularities in 2006. However, the price fluctuated occasionally as the global market price of natural rubber constantly increased and reached its peak level in the past several decades. This brought in speculations from Hedge Funds that invested in several commodities in line with the business trend. The Management therefore placed special emphasis on raw material sourcing, planning, purchase and inventory management that are fully-aligned for the whole organization in order to cope with the trend of the industry.

The company continuously expanded the business to achieve its goal of being a leading regional player in the rubber industry with a product mix of both natural rubber product and finished products.

Group restructuring thru subsidiaries acquisition

The Company purchased common shares of seven subsidiaries from other shareholders as it saw benefits to the company as a whole. Apart from additional production capacity of ribbed smoked sheet, STR block rubber and concentrated latex product lines, the transactions has enabled the company's management to operate as the planning and implementation of the group of companies can be executed more quickly and efficiently. This would lead to better opportunities for the company to increase the revenue received in term of earnings or dividends yield from higher shareholding in the subsidiaries and should improve earning results of the company in the long run, with more consistent growth rate. Moreover, the new holding structure reduced redundancy of cross-shareholdings and connected transactions and made the management more transparent as it is also reducing any complications arising from transfer pricing between companies in the group. This is in line with good corporate governance principle, builds trust amongst the shareholders, investors and related parties. And it will also improve or provide the company's ability to raise new funds and support the group's expansion plan that go in line with the high growth prospect of rubber industry that has been outpacing several other industries.

Block rubber plant in Indonesia, PT Sri Trang Lingga Indonesia

The subsidiary company has completed a construction of SIR-20 Block Rubber plant in Palembang, South Sumatra Island. The plant is now ready for commercial operations and has been officially opened on 19th December 2006 by High Excellency Indonesian President Susilo Bambang Yudhoyono. The project is considered the first major business joint venture between a Thai investor and local investor in that area. The city of Palembang is the fifth largest city of Indonesia and has experienced a very high economic growth rate in the past 2-3 years. The city possesses a vast area of rubber and oil palm plantations. The plant's initial production capacity is estimated at 50,000 tons per annum. The company has invested approximately a total amount of 10.6 million US dollars for the project. The

plant is situated on the bank of Musi River with the total area of 40 Hectares, equipped with modern production facilities that are designed specifically for the production of SIR-20 block rubber. The facilities meet the international standards of environment safety and are equipped with adequate and suitable waste water management systems for its production capacity. The objective is to be the plant that're friendly to local environment. The subsidiary has also increased its paid-up capital by 2.5 million US Dollar to 5.0 million US Dollar in order to prepare itself in to a suitable financial structure.

Indonesia is forecasted to become the world's largest producer of natural rubber within the next 5-8 years for its vast suitable areas for rubber plantation in comparison to other leading rubber producing countries. The establishment of this subsidiary company is thus a major milestone of the company to increase block rubber production capacity that feed into the international's tire industry situated in the world's second largest rubber-producing nation. This is to ensure sustainable growth of the company's marketing plan of Indonesian rubber which currently managed through trading activity.

High pressure hydraulic plant in China, Semperflex Shanghai Co.Ltd.

The Joint Venture is an ongoing project from the one in Thailand between Sri Trang and Semperit AG of Austria. The joint venture company was established to serve the potential economic growth of the Chinese economy, which is considered to be the "Factory of the World.". Due to China's competitive advantage which is supported by attractive labor forces, strong infrastructures and competitive currency exchange rate that contribute to low production cost. High pressure hydraulic hose Plant in Shanghai has been completed since November 2006 and is now under the process of test running its production lines. The initial production capacity is 5 million

meters per annum and can be expanded to 20 million meters per annum with the majority of the production for exports and the rest for domestic market which has seen strong growth during the past several years.

Expansion for production capacity of Siam Semparmed Corp Ltd. and Semperflex Asia Corp. Ltd.

Although both affiliated companies in Thailand have experienced some difficulties during the year 2006 as a result of rising material prices, labor shortage and appreciation of Thai Baht currency that outpaced the ability to increase the selling prices, Siam Semparmed Corp, which is one of the largest producer of latex examination gloves in Thailand, still expanded its production capacity to 8,500 million units annually while Semperflex Asia Corp has reached its full production capacity of Braided Hose and Spiral Hose of 23.5 million meters annually.

Market and Competition overview

Overall competition

- **Domestic competition**

In general, the competition focuses on the quality of the products and the delivery term while the price level is determined by the global market demand. Tire manufacturing companies including Goodyear, Pirelli, Continental, Michelin, Bridgestone and Chinese tire manufacturers are major consumers for global supply of natural rubber and follow by latex glove industry and elastic rubber thread industry. The tire manufacturing industry has high negotiating power due to its consistent big consuming orders. The natural rubber industry, especially the export-focused companies, therefore emphasizes on manufacturing process to maintain qualities of the products. Production capacity is another factor that customers look for to ensure that the manufacturer will deliver the products right on time. Therefore, good reputation is a major factor that leading manufacturers have to maintain in order to keep long-term business relationship with the customers. The Company believes that it is amongst the top five manufacturers of the country and also offers a full range of three product lines namely ribbed smoked sheets, STR block rubber and concentrated latex. The Company will maintain its policy for avoiding price competition, which is also similar by other major manufacturers. The market of natural rubber still sees continual growth which force the manufacturers and the exporters to increasingly emphasize the sourcing of materials, in which local market price is the main factor, followed by extensive sourcing network that will ensure the consistent supply for their production lines. In this regard, small-and medium-sized manufacturers are expected to face problem in their operations as a result of increasing market share gained by major manufacturers, which offer fuller range of products including the ones produced from Indonesia, Malaysia, and Vietnam

International competition

Manufacturers in Thailand export in the forms of ribbed smoked sheets, STR block rubber and concentrated latex which follow the basic agricultural practiced by local small rubber farmers. Meanwhile, the producers in Malaysia and Indonesia are and tend to produce in the form of block rubber. Regarding which country purchasing from whom, it is due mainly to long-established business relationship. Indonesian products usually supply to the US consumers; Malaysian products supply to the European market while Thai products supply to Japan, China, the US and EU respectively. The global market price of natural rubber is influenced by the producers with the lowest production cost, Indonesia. However, with good global economic growth, the demand of natural rubber outpaces the supply and thus keeps the pressure out of the market on the down side. In essence, if the manufacturer is well-planned and manage sales effectively, the market price level remains as forecasted and that Thailand remains the largest country producer of full range namely ribbed smoked sheets, STR-block rubber and concentrated latex, there should not be any major hinders to the Thai producers. Especially

concentrated latex in which has experienced strong growth rate from related industries of medical latex glove and elastic rubber thread.

Industry overview

The year 2006 has been the most volatile year in the past 20 years in term of market price of natural rubber both domestically and internationally. The consumption of natural rubber in the global market has continued growing from 2005 as a result of strong global economic growth, good growth rate of the automobile and the tire industries. Apart from the traditionally major markets like Japan, the US and the EU, which has continued their strong consumption rate, the demand from the emerging markets namely China and India has been robust. The domestic market price of ribbed rubber sheets in June 2006 was 97.58 baht per kilogram while the FOB price in Bangkok and the futures contract price of ribbed smoked rubber sheets in both the Tokyo and Singapore markets rose to 104 baht per kilogram. However since August 2006, the price of ribbed smoked sheets started to decline reaching 51.02 baht per kilogram for the unsmoked rubber sheet and remained at 53.90 baht on average for ribbed smoked sheets in November 2006. This has been the result of the commodity hedge funds' decision to reduce their positions in majority of commodities, especially in crude oil during the mid-year period. One major tire manufacturer postponed its order delivery due to its reduced production volume caused by internal labor relations problem which has negative effects both on physical demands and sentiment of the natural rubber industry for a short period. However, by December 2006, the market price of natural rubber started to increase again as a result of strong purchase volume from China for its production lines.

- **Supply Side and Consumption Demand**

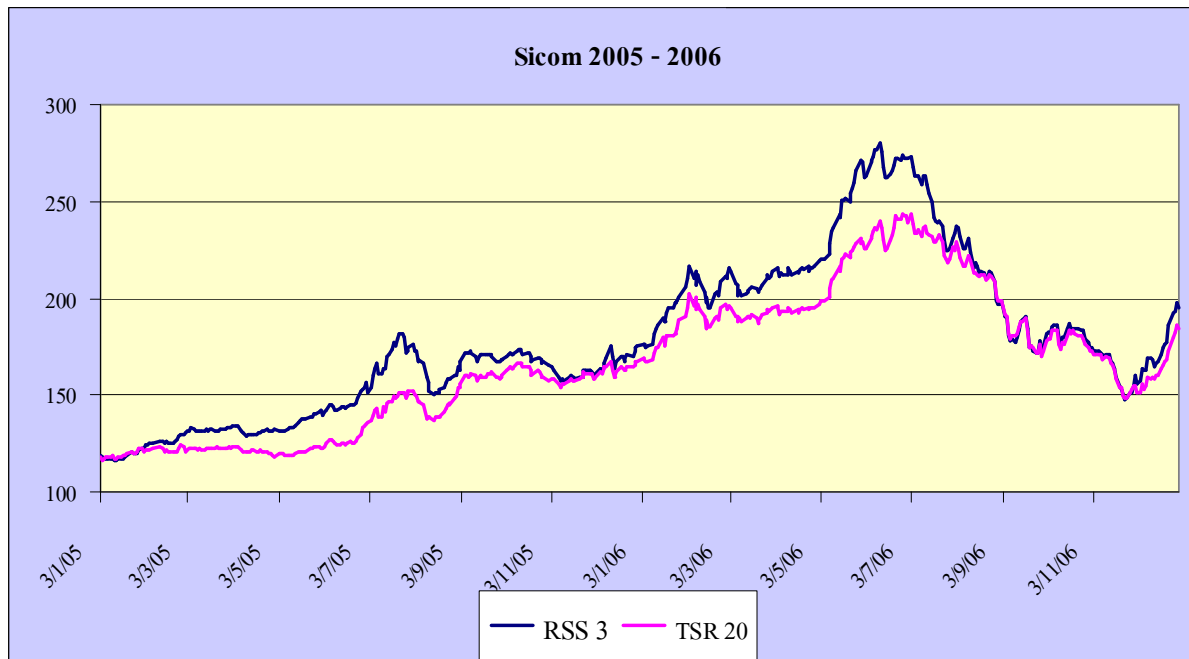
Production volume is estimated at 9.3 million tons, an increase of 5 percent from the previous year. The major producing countries still are Thailand, Indonesia, Malaysia, followed by India, and Vietnam respectively. Aggregate production volume of Thailand stood at approximately closed to 3.0 million tons while that of Indonesia was around 2.5 million tons. With vast area of land for new rubber planting, the Indonesian government has forecasted that its production volume would overtake that of Thailand in the next 5 years. Several countries in Asia increasingly promote the rubber plantations to cope with increasing demand in natural rubber as a result of strong continuous economic growth from countries like China as well as increasing consumption of natural rubber in India. Demand of natural rubber especially from China remains high as a result of its continuously growing economy and the expanding tire industry dominated by global tire manufacturing players who use China as their production base for exports. The aggregate demand of natural rubber for tire industry in China has seen a rapid growth. Prior to year 2003, the demand stood at below of 1.0 million tons annually. During 2004-2006, the annual figures grew to 1.4, 1.8 and close to 2.0 million tons respectively.

Table Showing Movement in Exported Rubber Price, FOB Bangkok

Unit : THB

Month	RSS3		STR20		LATEX	
	2005	2006	2005	2006	2005	2006
January	45.91	74.09	46.29	70.05	35.35	53.72
February	48.66	82.01	48.45	77.81	36.95	61.73
March	50.70	81.26	48.90	76.54	39.23	63.50
April	52.07	82.26	48.98	76.13	40.43	60.83
May	53.55	92.37	49.04	82.54	40.99	65.40
June	59.92	104.25	52.43	93.67	44.19	72.65
July	69.47	95.99	59.43	90.76	47.81	67.36
August	66.72	83.45	60.42	82.25	49.16	57.09
September	69.59	68.78	64.25	68.56	51.41	46.57
October	69.88	69.61	67.19	69.10	52.48	50.40
November	66.29	60.62	64.74	60.09	49.87	43.90
December	69.17	62.80	67.98	60.09	50.29	42.31
Average Price	60.16	79.79	56.51	75.63	44.85	57.12

Source : Rubber Research Institute of Thailand

Graph shown price of Rubber smoked sheet RSS-3 and TSR Block rubber -20 at Singapore Commodity Exchange

The chart indicated the movement of Rubber smoked sheet and TSR Block rubber in the Singapore Commodity Exchange which showed similar correlation. In early year 2006, the price of RSS-3 and TSR has moved according with market demand and reached to the highest level in June at 2,800 US dollars per ton and 2,430 US dollars per ton respectively, The international rubber price had significantly moved up partially by strong interests from Commodity Hedge Funds in Future Market and continual growth on its global demand. At the second half of year, price of RSS-3 and TSR has deteriorated and dropped to the same lowest level in November 2006 at 1,480 US dollars per ton.

Risk Factors

Business Risk/ Industry Risk

1. Price Volatility

During the year, the domestic and global natural rubber price has been extremely volatile and has reached its historic peak level over the past 20 years. In June 2006, the average price of ribbed smoked sheet reached 2,800 US dollar per ton and drop to around 1,500 US Dollar per ton in November. Apart from fundamental factors like supply and demand that influenced the market price, the speculation from several commodity hedge funds has contributed greatly to the market price of natural rubber. Usually, hedge funds speculate on several commodities including natural rubber and do not adhere to any particular commodity. This has made it more difficult to forecast the market trend and also contributed to more volatile market price which affected to the company's production and marketing plan.

The World's oil price is another factor affecting the price of natural rubber as market prices of oil and natural rubber usually go in tandem. In the past few years, oil price has been continuously rising and as a result directly affected cost and price of synthetic rubber, a substituted product of natural rubber in the tire industry. This has been a factor that drove the market price of natural rubber up. On the contrary, when the oil price drops, the price of synthetic rubber tends to drop and in turn pressures the price of natural rubber. However, the major factor that determines the market price of the natural rubber in the long run is the fundamentals of the global economy.

2. Economic Outlook and Global Demand of Natural Rubber

More than 70 percent of the demand in natural rubber comes from tire industry, which essentially depends on the global economy. In recent years, it has been fuelled by continuous economic boom of Asia especially of China, India and Japan. This has got a positive impact on the market price of natural rubber. The relatively high price level is no effect to market demand from tire industries. As the tire industry is a large industry with continuous expansion of production capacity. There was a strong demand from the Chinese economy with high growth rate of investments and productions including the automobile and tire industries. India's rubber related industries also experienced strong continuous expansion.

3. Competitions between Major Exporting Countries

Top exporting countries for natural rubber are led by Thailand, Indonesia and Malaysia respectively with Thailand being able to produce and export ribbed smoked sheet, STR block rubber and concentrated latex. In 2006 the growth in demand in natural rubber outpaced the growth in supply and in recent years the supply of natural rubber has been limited, thus contributed to higher global market price of natural rubber. The country that has the strong prospect in term of

increasing the natural rubber supply is Indonesia, which has vast area suitable for rubber plantations especially in Sumatra Island with 3.2 million hectares of rubber plantations. In 2006, Indonesia is forecasted to produce 2.47 million tons of natural rubber, an increase of 8.8 percent from 2.27 million tons in 2005.

Malaysia has insufficient production capacity of natural rubber for its domestic consumption especially in concentrated latex and thus has to partially rely on imports from Thailand. It is forecasted that Malaysia could produce 1.23 million tons in 2006, an increase of 9.2 percent from 1.13 million tons in 2005.

For Thailand, an increase in production derived mainly from plantations in the North and the Northeast regions. The production volume in 2006 stood at 2.95 million tons in comparison with 2.83 million tons in 2005. Vietnam increased its areas of rubber plantation significantly. In 2006, Vietnam had increased 0.5 million hectares of rubber plantations and its export value totaled more than 1 billion US dollars. This has put Vietnam among the top rubber-exporting competitors of Thailand for the Chinese market.

4. Tax Policy

The government has a policy to impose rubber cess for exports of natural rubber. The proceeds contribute to the natural rubber industry development fund that supports promotions of rubber plantations with new rubber seedlings and research and development. The rate of rubber cess is determined by the government with the rate charged varying by price per kilogram. During 1988 – 2003, the rate varied from 0.50 – 1.70 Baht per kilogram depending upon each administration's policy at the time. Since 2003, the rate has been stable at 1.40 Baht per kilogram for ribbed smoked sheet and block rubber. For concentrated latex, the rate imposed is 60 percent of the aforementioned rate. As the company mainly exports natural rubber products, the company is prone to any increase in the rate of the rubber cess which will directly affect the cost of the productions, negatively affect the company's international competitiveness.

5. Domestic competition

See competition overview on page 17

6. Climate and Market Supply

The Company's natural rubber products are produced from raw materials in forms of field latex, unsmoked rubber sheet and cup lump. These raw materials account for more than 80 percent of total production cost. As natural rubber is an agricultural product and its supply varies seasonally, in any years with unusual climate conditions, the production volume is inevitably affected and in turn the price moved. With the supply of natural rubber being influenced by local market conditions, any plan to mitigating the risks of sourcing materials and volatile price is difficult to implement as the manufacturers cannot enter into forward contracts with local farmers or traders as the enforcements are impractical in reality. The Company therefore manages the risks of materials sourcing by way of aligning purchase planning with marketing plan as well as taking into account other considerations namely supply in the market, market price level and expected future price which

require hands-on experience, sourcing networks suitable for each area and climate condition which is an uncontrollable factor.

Financial Risk and Administrative Risk

1. Financial Liquidity, Interest Rate and Currency Exchange Rate

The year 2006 has been seen as the most volatile market price of natural rubber in the past 20 years and the average market price has been higher than that of the previous year. This had a direct impact on the company's working capital requirement for materials sourcing and sales activities. The company was inevitably needed more loans from financial institutions. As the interest rate level remained high, the company's interest expense had increased significantly compared to those of previous year.

For currency exchange rate, the company had large denomination value of export in US Dollars as well as a certain level of foreign investments. The movement of currency exchange rate of Thai Baht and other competing countries' currencies is a major factor of the company's performance. In 2006, Thai Baht currency appreciated significantly against the US Dollars and trend is anticipated to continue in 2007. The currency exchange stood around 40 baht per USD at the beginning of 2006 and continuously strengthened to the level of 35-36 baht per USD in December 2006. This caused Thai exporters lost from currency exchange. Although the company entered into currency forward contracts to mitigate the exchange rate risk, it still experienced losses as a result of continuing appreciation of the Thai Baht currency. The unstable exchange rate movement had made pricing and marketing planning more difficult. Additionally, it made the export price of Thailand's natural rubber products higher in comparison to those from competitors especially Indonesia, Malaysia and Vietnam and therefore adversely affected the overall competitiveness of the Company.

Currently the company has sufficient financial supports from several domestic and international financial institutions. However, the company could face higher pressure from rising natural rubber price and continuous expansion of the rubber industry that drive the production and sales volumes up. The company as a major producer and exporter of natural rubber with a very high volume in turn requires high level of working capital as the payments for purchase from farmers are made in cash. An appropriate level of liquidity is thus an important factor for running the business efficiently. At the moment, apart from the company's capital, loans from financial institutions are the only major source of working capital required for operations as the authority recently amended rules and regulations in relation to the issuance of debt instruments for investors. This has made the company unable to continue its Bill of Exchange issuance as previously done. However, the company was exploring opportunity in preparing for raising money through debenture issuance under the new regulations to increase alternative source of the company's working capital.

2. Management and Administrative Risk

The Company's main business operations are in the natural rubber industry, which is considered to be a commodity product. In the past 2-3 years, many hedge funds had more speculative activities in rubber and thus affected the price movement of natural rubber as never happened before. The company, which has manufacturing bases in the Southern and the Eastern regions of Thailand therefore has to manage the increasing risk arising from price fluctuations more actively apart from managing the materials sourcing. Business operations related to agricultural products need good and highly effective administration otherwise damage can be highly probable. However, as the price forecast is complex for numerous factors contributing to the price movement, it is agreed that natural rubber business is becoming much more complicated than in the past. Long-established relationship between business partners is an important factor that supports the expansion of the business. It has been proofing record for the major company with long track records of successes in the natural rubber industry of not doing any diversification out of rubber industry. It is challenging for a newly established company without any established experiences to enter into the rubber industry. Because the customers' emphasis on the experience, track records, and reliability of the products and reputation of the management team. This is especially more critical during the period of extreme price fluctuations, in which the risk of non-delivery to the contracts is unusually high.

Marketing direction and pricing policy are the main strategy that has impacts on other units of the organization. In addition, highly effective human resource equipped with experience and expertise to cope with the rapidly changing environment, is the key factor since the preciseness of forecast is difficult to attain. It could be an important factor that can contribute greatly to the success of the company's business operations that need agility to deal with constant change.

The Management of Sri Trang Agro-Industry Plc. has a long track records and vast experience in natural rubber industry. The Management is well respected by business community both domestically and internationally. This, however, made the Company at risk in case of any change in management team, which also happen to be major shareholders. On the other hand, this also made other major shareholders unable to make any change to business operations of the company in the case where the current management team is unable to meet the targets or setting the directions inappropriate for the trend of the natural rubber industry and in turn cause adverse impact on the shareholders.

Shareholders and Management

List of major shareholders as of 29th December 2006

1. Sri Trang Holding Co.,Ltd.	44,028,412	Shares	22.01 %
2. Mr. Viyavood Sincharoenkul	11,166,290	Shares	5.58 %
3. Mr. Aram Sirisuwat	6,846,872	Shares	3.42 %
4. Mr. Somwang Sincharoenkul	3,782,681	Shares	1.89 %
5. Mr. Veerasit Sincharoenkul	3,200,000	Shares	1.60 %
6. Mr. Kitichai Sincharoenkul	2,779,849	Shares	1.39 %
7. Mr. Prasit Panidkul	1,836,280	Shares	0.92 %
8. Mr. Sumade Sincharoenkul	1,781,391	Shares	0.89 %
9. Mr. Puang Cherdkiatgumchai	1,611,806	Shares	0.81 %
10. Southland Rubber Co.Ltd.	1,180,200	Shares	0.59 %

The groups holding more than 10 per cent of the shares as of 29th December 2006

- Sri Trang Holdings Co., Ltd.	44,028,412 Shares	22.01%
- Sincharoenkul family	38,765,454 Shares	19.38 %

Note Sri Trang Holdings Co., Ltd. has a registered capital of 88 million Baht and 5 directors, namely Mr. Somwang Sincharoenkul, Mr. Viyavood Sincharoenkul, Mr. Chaiyos Sincharoenkul, Mr. Kitichai Sincharoenkul and Mr. Puang Cherdkiatgumchai. The largest group of shareholder is the Sincharoenkul family, who hold 3,781,280 shares, representing 42.97 per cent of the total shareholding.

Changes in the Number of Shares and the Shareholders' Equity over the past 5 years

There have been no substantial changes in the shareholder structure over the past 5 years.

Management

Management structure

The Management consists of 2 groups of committees. There are the Board of Directors and the Audit Committees. The Board of Directors is made up of executive directors, directors, independent directors and audit committees. The Audit Committee has been appointed at the end of 1999 in compliance with the requirement of the Stock Exchange of Thailand.

The Board of Directors is the highest management group responsible for formulating the Company's current and future business plans and policies. The Board of Directors has the power and duty to manage the company's business activities according to the article of associations as followed:

1. The name and number of Directors empowered to sign on behalf of the company are: the joint signatures of any two directors with company seal. The Board of Directors also authorize to make power of attorney to person for binding the company
2. The Board of Directors must manage the Company in compliance with the laws, the Company's objectives, article of associations and the shareholders' resolutions.
3. The Board of Directors must set up a meeting once in every 3 months at the head office, office branches, nearby city or at any places indicated by the Board of Directors.
4. Under the Public Companies Act, directors have the power to sell, mortgage any of the Company's estates or rent for more than 3 years or settle in the legal case, file law suit or enact the arbitrator to solve up the case.
5. The Board of Directors has the power to set up compensation scheme for managers, staffs, and employees, and any remuneration of relevant personnel and order any tasks deemed as appropriate. The Board of Directors may assign one or several managers or other directors to perform any acts of its behalf.

The areas of responsibility and duties of the Audit Committee and its accountability to the Board of Directors of the Company are as followed:

- To ensure that the financial statements reflect the true, correct, sufficient information and accountable.
- To ensure that the Company maintain an appropriate and efficient internal control system.
- To select and propose for the appointment of the external auditor.
- To ensure that the Company complies with all relevant regulations and laws.
- To ensure that there will be no conflict of interest
- To act in any manner as may be delegated by the Board of Directors.

Audit Committee Meeting Attendances in 2006 as following

Name	Position	Audit Committee in 2006 (4 Times)
Mr.Sukit Attoprakorn	Chairman of Audit Committee/Independent Director	4/4
Mr.Prakob Visitkitjakarn	Audit Committee/Independent Director	4/4
Mr.Kriang Yanyongdilok	Audit Committee/Independent Director	4/4
Mr.Kitichai Sincharoenkul	Director	4/4

Selection of Board Members and the Management

The Board of Directors shall elect persons with suitable knowledge and attributes to become directors of the Company. Such candidates must have the qualification under the Public Company Act B.E. 2535. The Board of Directors can delegate a person to recommend such persons for nomination to the shareholder's meeting for approval in accordance with the following criteria and procedures.

- (1) A shareholder shall have one vote for each share held.
- (2) Each shareholder shall be entitled to cast a vote prescribed under (1) above but cannot divide into several fractions in the selection of the nominated names.
- (3) Candidates shall be decided on the basis of the highest of the vote cast. In case of tied votes, the chairman presiding over the meeting shall have the casting vote.

Definition of independent Director

An independent director is a qualified and independent person according to the definition established by the Stock Exchange of Thailand:

- (1) Holding not more than 5 per cent of paid-up capital of the Company, affiliated company, associated company, related company.
- (2) Does not take part in the management of the Company, affiliated company, associated company, related company or majority shareholder of the Company
- (3) Has no direct or indirect benefit or interest in the finance and management of the Company, affiliated company, associated company, related company or majority shareholder of the Company
- (4) Not a related person or close relative of any member of management or majority shareholder of the Company
- (5) Not appointed as a representative to safeguard the interests of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders

In addition, an Independent director must feel free to give opinions or report work performance as required by his duties, free of any personal interest, benefit or position and free from the control of any party, including any circumstance by which pressure may be exerted and make an independent opinion impossible.

Meeting Attendances in 2006 as following:

Name	Position	Board of Director Meeting (14 times)
Mr. Somwang Sincharoenkul	Chairman	14/14
Mr. Prasit Panidkul	Vice Chairman	14/14
Mr. Viyavood Sincharoenkul	Managing Director	14/14
Mr. Chaiyos Sincharoenkul	Director	13/14
Mr. Puang Cherdkiatgumchai	Director	14/14
Mrs. Promsuk Sinchareonkul	Director	13/14
Mr. Anan Pruksanusak	Director	14/14
Mr. Kitichai Sincharoenkul	Director	14/14
Mr. Sukit Attopakorn	Chairman-audit committee/ Independent Director	7/14
Mr. Prakob Visitkitjakan	Independent director / Audit committee member	7/14
Mr. Kriang Yanyongdilok	Independent Director / Audit committee member	7/14

Executives

As of 31st December 2006, the following 12 persons comprised the Director of company

			<u>Relationship</u>
Mr. Somwang	Sincharoenkul	Chairman	Yes
Mr. Prasit	Panidkul	Vice Chairman	No
Mr. Viyavood	Sincharoenkul	Managing Director	Yes
Mr. Chaiyos	Sincharoenkul	Director	No
Mr. Puang	Cherdkiatgumchai	Director	Yes
Ms. Promsuk	Sinchareonkul	Director	Yes
Mr. Anan	Pruksanusak	Director	No
Mr. Kitichai	Sincharoenkul	Director	Yes
Mr. Sukit	Attopakorn	Chairman of Audit Committee /Independent Director	No
Mr. Prakob	Visitkitjakan	Audit Committee member/ Independent Director	No
Mr. Kriang	Yanyongdilok	Audit Committee member/ Independent Director	No

Executive profiles

- | | |
|--|---|
| <p>1. Mr. Somwang Sincharoenkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1946 - 1986</p> <p>1987 - Present</p> <p><u>No. of Shares Held</u></p> | <p>81 years old</p> <p>Father of Mr. Viyavood and Mr. Kitichai</p> <p>Chung Ling High School, Penang, Malaysia</p> <p>Director, Yang Thai Pak Tai Co.,Ltd.</p> <p>Chairman, Sri Trang Agro-Industry PLC.</p> <p>3,841,485 Shares</p> |
| <p>2. Mr. Prasit Panidkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1975 - 1997</p> <p>1986 - 1991</p> <p>1987 - Present</p> <p><u>No. of Shares Held</u></p> | <p>61 years old</p> <p>No</p> <p>Executive Micro MBA, Thammasart University</p> <p>Managing Partner, Trang Sahakarn Khonsong Ltd.</p> <p>Member of Trang Provincial Council</p> <p>Vice Chairman, Sri Trang Agro-Industry PLC.</p> <p>2,408,395 Shares</p> |
| <p>3. Mr. Viyavood Sincharoenkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1985 - 1987</p> <p>1987 - Present</p> <p><u>No. of Shares Held</u></p> | <p>53 years old</p> <p>Mr.Somwang's son</p> <p>PhD. in Chemistry Queen Elizabeth's College, University of London</p> <p>General Manager, Yang Thai Pak Tai Co., Ltd.</p> <p>Managing Director, Sri Trang Agro-Industry PLC.</p> <p>24,208,155 Shares</p> |
| <p>4. Mr. Chaiyos Sincharoenkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1970 - 1986</p> <p>1990 - 1992</p> <p>1987 - Present</p> <p><u>No. of Shares Held</u></p> | <p>57 years old</p> <p>No</p> <p>Executive Micro MBA, Thammasart University</p> <p>Assistant Manager, TTR Production Division, Yang Thai Pak Tai Co., Ltd.</p> <p>Member of Chamber of Commerce, Trang Province</p> <p>Director, Sri Trang Agro-Industry PLC.</p> <p>1,482,165 Shares</p> |

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- | | |
|--|---|
| <p>5. Mr. Puang Cherdkiatgumchai</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1987 - Present</p> <p><u>No. of Shares Held</u></p> | <p>79 years old</p> <p>Mrs. Promsuk's father</p> <p>Assumption (ACC)</p> <p>Director, Sri Trang Agro-Industry PLC.</p> <p>1,611,806 Shares</p> |
| <p>6. Ms. Promsuk Sincharoenkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1982 - 1985</p> <p>1995 - Present</p> <p><u>No. of Shares Held</u></p> | <p>54 years old</p> <p>Mr. Somwang's daughter-in-law</p> <p>Business Administration, The Institute of Chartered Secretary and Administrator, U.K.</p> <p>Export Management, Yang Thai Pak Tai Co., Ltd.</p> <p>Director, Sri Trang Agro-Industry Co., Ltd.</p> <p>24,208,155 Shares</p> |
| <p>7. Mr. Anan Pruksanusak</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1984 - Present</p> <p>1990 - Present</p> <p>1995 - Present</p> <p><u>No. of Shares Held</u></p> | <p>54 years old</p> <p>No</p> <p>Executive Micro MBA, Thammasart University</p> <p>Founder of Nam Hua Rubber Co., Ltd.</p> <p>Founder of Sadao P.S. Rubber Co., Ltd.</p> <p>Director, Sri Trang Agro-Industry PLC.</p> <p>349,437 Shares</p> |
| <p>8. Mr. Kitichai Sincharoenkul</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1984 - 1987</p> <p>1988 - Present</p> <p>1995 - Present</p> <p><u>No. of Shares Held</u></p> | <p>48 years old</p> <p>Mr. Somwang's son</p> <p>Master of Business Administration, Indiana State University, USA.</p> <p>Credit Department, Citibank</p> <p>Manager, Bangkok Branch</p> <p>Director, Sri Trang Agro-Industry PLC.</p> <p>3,499,300 Shares</p> |
| <p>9. Mr. Sukit Attopakorn</p> <p><u>Relationship</u></p> <p><u>Education</u></p> <p><u>Experience</u></p> <p>1986 - 1988</p> <p>1995</p> | <p>54 years old</p> <p>No</p> <p>Bachelor of Medicine</p> <p>Chulalongkorn University</p> <p>Physician at Pin Klao Hospital</p> <p>Physician at Trang Hospital</p> <p>Member of Parliament - Trang province</p> <p>Advisor to The Prime Minister</p> |

2000 – Present	Chairman of Audit Committee, Sri Trang Agro-Industry PLC.
<u>No. of Shares Held</u>	- Shares
10. Mr. Prakob Visitkitjakarn	67 years old
<u>Relationship</u>	No
<u>Education</u>	B.A.(Hon.) in Finance, Indiana University, USA Master's Degree in Finance, Indiana University, USA
<u>Experience</u>	
1975 - 1995	Executive Vice President, Bank of Ayudhaya
1995 - 1997	President, Sahathanakit Thai Finance Company
1997 - 2002	Executive Vice President, Bank of Ayudhaya PLC.
1999 - Present	Chairman of the Audit Committee, Siam City Cement PLC.
1993 - Present	Independent Director, Sri Trang Agro-Industry PLC.
1999 - Present	Audit Committee, Sri Trang Agro-Industry PLC
2004 – Present	Director, Lease It Co.,Ltd
<u>No. of Shares Held</u>	88,600 Shares
11. Mr. Kriang Yanyongdilok	69 years old
<u>Relationship</u>	No
<u>Education</u>	B.A. Accounting Thammasart University
<u>Experience</u>	
1965 - 1967	Class three government official, Office of the Auditor-General of Thailand
1968	Transferred to Revenue Office, Phuket Province, as Class three Inspector
•	Revenue Officer
1999 - Present	Audit Committee, Sri Trang Agro-Industry PLC.
2004 – Present	Audit Committee, Oishi Group PLC.
<u>No. of Shares Held</u>	- Shares

Management Team

As of 31st December 2006, the following persons comprised the Management Team.

1.	Mr. Viyavood	Sincharoenkul	Managing Director
2.	Mr. Prasit	Panidkul	Executive Director - Production
3.	Mr. Chaiyos	Sincharoenkul	Executive Director - Production
4.	Mr. Anan	Pruksanusak	Executive Director – Production
5.	Mrs.Promsuk	Sinchareonkul	Executive Director - Finance and Administration
6.	Mr. Kitichai	Sincharoenkul	Executive Director - Bangkok Branch
7.	Mr. Choosit	Sae - Lee	Marketing Manager
8.	Mr. Piti	Chenvanij	Marketing Manager
9.	Mr. Somboon	Pruksanusak	Quality Control Manager
10.	Mr. Chaidet	Pruksanusak	Block Rubber Product Manager
11.	Mr. Chalermchai	Norsakul	Block Rubber Factory Manager - Thung Song Branch
12.	Mr. Chalernpop	Khanjan	Concentrated Latex Product Manager
13.	Miss Khanittha	SeeSuk	Block Rubber Factory Manager – Si Kao Branch
14.	Mr. Veerachai	Sriuangrat	Concentrated Latex Factory Manager - Trang Branch
15.	Mr. Bucha	Pipitapan	Rubber Smoked Sheet Factory Manager - Hatyai Branch
16.	Mr. Athipat	Malisuwan	Acting Ribbed Smoked Sheet Factory Manager - Trang Branch
17.	Mr. Ekkachai	Chalothornsudthi	General and Administrative Manager
18.	Mrs. Areerat	Soyphuraya	Accounting Manager
19.	Ms. Narisara	Sincharoenkul	Finance Manager

Total staffs 669 persons and daily workers 2,830 persons.

Management's Remuneration

1. Monetary remuneration

The financial compensation for 8 directors		
Director Honorariums totaling	1,728,000	Baht
The financial compensation for 3 audit committees		
Audit Committee Honorariums	1,200,000	Baht

Name	Position	Compensation
Mr. Somwang Sincharoenkul	Chairman	216,000
Mr. Prasit Panidkul	Vice Chairman	216,000
Mr. Viyavood Sincharoenkul	Managing Director	216,000
Mr. Chaiyos Sincharoenkul	Director	216,000
Mr. Puang Cherdkiatgumchai	Director	216,000
Mrs. Promsuk Sinchareonkul	Director	216,000
Mr. Anan Pruksanusak	Director	216,000
Mr. Kitichai Sincharoenkul	Director	216,000
Mr. Sukit Attopakorn	Chairman- audit committee	480,000
Mr. Prakob Visitkitjakan	Audit committee member / independent director	360,000
Mr. Kriang Yanyongdilok	Audit committee member / independent director	360,000

Executive directors -salary and bonus (6 persons) 27,059,680 Baht

2. Other remunerations

-None-

Auditors' remunerations

1. Audit fee

Audit fee in fiscal year 2006 1,780,000 - Baht

2. Non audit fee

- None -

Supervision on insider information and Corporate Governance

- Supervision on the usage of insider information

The company does set any specific regulations on company's shares trading activities by the executives but encourage trading for long term investment purpose only. For any information that might affect the stock price, the company will limit information exposure only to those involved and they will have to report any changes in the number of shares held to the Office of the Securities and Exchange Commission (SEC).

- The Principles of Good Corporate Governance

The company sets the corporate policy in accordance with the 15 principles for a good corporate governance concept established by the Stock Exchange of Thailand as follows:

1. Policy on Good Corporate Governance

The Board of Directors recognizes the importance of the Good Corporate Governance policy to increase efficiency and transparency of the company's administration. This is to assure the accountability of the company to all related parties. The company, therefore, set the policy under the guidance of Good Corporate Governance covering:

- Every stakeholder will be treated fairly and equally.
- The Board of Directors shall manage with prudence, carefulness, competency, efficiency and responsibility for the best benefit of shareholders and avoiding the conflict of interest.
- Operation will be run with the transparency, auditable, and sufficient for the disclosure of the information to the related parties.
- Operation will be run with the recognition of the internal control and good business practice observation by the management.

2. Shareholders Rights

The Board of Directors will take into account all aspects to ensure that all shareholders' rights are protected and that they all get fair treatment according to the law.

3. Stakeholders' rights

To date, the company's growth has been attributed to a good cooperation and support from all parties involved: staffs, raw material vendors, clients and consumers, financial institutions, government agencies, and the company's shareholders. The company acknowledges the responsibilities toward these stakeholders and ensures that their rights are treated fairly. The company will render equitable treatment all parties concerned as followings:

- Employees: the company treats all employees equally, creates good environment atmosphere inside organization and reasonable and appropriated level remuneration.
- Customer: the company dedicates to provide customers with satisfaction performance in terms of quality products and services including on-time delivery.
- Vendor/Supplier: the company operates within a competitive context by strictly honoring promises and commitments it has entered with.
- Environment and Social responsibility: the company generally provides supports to surrounding community and set most efficient safety standard to the surrounding environment.

4. Shareholders' meeting

During this year, there were two shareholders' meetings, an Annual General Meeting and Extraordinary Shareholders Meeting. All related documents for the meetings have been submitted to all shareholders in advance and via the

company's website. In addition, the company also made the announcement about the shareholders' meeting at least 3 days consecutively in public newspapers and not less than 3 days prior to the meeting date. This is to ensure of sufficient time for any shareholders to study the agendas be considered in the meeting. In every shareholders' meeting, the chairman of the meeting allows sufficient time for the shareholders to express their views and/or ask any questions concerning to the agenda and other company's business activities. The chairman in the meeting has answered and provided all information to the shareholders' satisfactory. Queries and comments by participants of shareholders' meeting were also recorded in the minutes of such meeting. The company has submitted the minutes to the Stock Exchange of Thailand within the time frame required.

In addition, the company has emphasized on information disclosure to be sufficient, accurate and in time for the shareholders. The management has the dividend policy of reasonable pay out rate and suitable with its performance and overall economy.

5. Leadership and vision

The Board of Directors involve in setting policies, missions, objectives and annual business plan. The Board also supervises the management team to ensure corporate efficiency as stipulated in the objectives and review the performance to see if any change in the strategy or process is needed. It is responsibility of the Board to seek the optimal benefit to the organization and enhance value of the company to the shareholders. In general the Board of Directors will set up a meeting to identify policy, plan and budget for the next fiscal year during December.

6. Conflicts of Interests

As a public company listed in the Stock Exchange of Thailand, the Board of Directors and the Management give importance to the transaction that may raise any conflict of interest and consider each transaction in accordance to the rules and regulations set by the Stock Exchange of Thailand. Moreover, the company explicitly disclosed company's shareholding structure and company's securities holding by directors in annual report

In case, the company's directors or executive officers purchase, sell, transfer or receive the company's securities, all of them have to report changing on their ownership of company's shares on to the Securities and Exchange Commission of Thailand within 3 days after the transaction date.

7. Business Ethics

The Company has issued the regulations that have to be observed and followed by all employees to ensure that all tasks are carried out in an honest manner and comply with the applicable laws. All business units and shareholders will be treated fairly and under integrity. Moreover, the corporate culture has been set and continuously promoted for employees at all level. The company has continuously communicates with the employees in order to behave in an ethical manner.

8. Balance of Power for Non-Executive Directors

- The Board of Directors comprised of;
- 8 directors are in the Management
 - 3 non-Executive and independent directors

The 3 non-executive and independent directors represent the balance of non-executive to a certain level. Additional details are shown under Executive section.

9. Segregation of Positions

Five Directors in the management are related and are among the company's largest shareholders. However the Audit committees which are independent have duty to review the performance of the management that has been set in the annual business plan.

10. Remuneration for Directors and Management

The company does not have a remuneration committee for executives' compensation. The company has set out an executive compensation scheme in accordance to the industry standard and at the level that attract qualified persons.

The compensation rate is under the consideration of the managing director and the Board of Directors

11. Board of Directors' Meetings

The Board of Directors generally schedule a management meeting according to the situation deem as appropriate. The executive secretary and the human resource manager are responsible for preparing a meeting, Board meeting agenda, and all related documents. They will distribute information materials to every attended party via intranet or other media in advance. The director who acts as the management also attend monthly/quarterly meeting with every product manager to follow the performance, any strategy discussion or solutions that needed to be adjusted continuously in accordance to the changing situation.

Meeting Attendances in 2006 as following:

Name	Position	Board of Director Meeting(14 times)
Mr. Somwang Sincharoenkul	Chairman	14/14
Mr. Prasit Panidkul	Vice Chairman	14/14
Mr. Viyavood Sincharoenkul	Managing Director	14/14
Mr. Chaiyos Sincharoenkul	Director	13/14
Mr. Puang Cherdkiatgumchai	Director	14/14
Mrs. Promsuk Sinchareonkul	Director	13/14
Mr. Anan Pruksanusak	Director	14/14
Mr. Kitichai Sincharoenkul	Director	14/14

Name	Position	Board of Director Meeting(14 times)
Mr. Sukit Attopakorn	Chairman-audit committee/ Independent Director	7/14
Mr. Prakob Visitkitjakan	Independent director / Audit Committee member	7/14
Mr. Kriang Yanyongdilok	Independent Director / Audit Committee member	7/14

12. Sub - Committees

Details are under Roles and Responsibilities of the Audit Committee on page 25

13. Internal Control & Internal Audit

The company established the role and responsibility among each individual staff in the organization. There will be the separation of duty to ensure check and balance concept in every unit. In addition, the management gives the priority to the internal audit function and encouraging the follow up/appraisal the result for the work reported by the internal department.

14. Directors Reporting

The Board of Directors understands the responsibility to maintain a credible corporate image to the public and any parties involved. The Board of Directors is responsible for the Company's financial statements by assigning the tasks to responsible units to produce the statements in accordance with the generally accepted accounting standards of The Institute of Certified Accountants and Auditor of Thailand. To ensure that these statements contain sufficient details and information that fairly reflected the Company financial status. The Board of Directors recognizes the importance of internal control to ensure that the company operates efficiently and without any opportunities that will lead to fraud. The internal control team has also responded to create audit policy that encourages comments or suggestions that allow a more efficient operation. The audit committees consist of non-executive independent directors who are responsible for monitoring the company to ensure that an adequate internal control system is put in place and that all reported financial statements are completed, correct and accountable.

15. Relations with Investors

The Board of Directors recognizes the importance of information disclosure to ensure that all published financial and general information is completed and accurate. The company follows the rules and regulations of the Stock Exchange of Thailand and of the Office of the Securities and Exchange Commission. Information on the company's activities are released through the channel provided by the Stock Exchange of Thailand. Moreover, Bangkok Office Branch is delegated to communicate with all institutional investors, shareholders, securities companies or analyst, as well as related government agencies via Investors Relations department Tel (02) 2592964-71 Ext. 25-27 Fax. (02) 2592958 or www.sritranggroup.com.

Internal control

The Board of Directors recognized the importance of having an adequate and effective system of internal control for company and subsidiaries by setting the Internal Audit Department. There was the establishment of internal control system to monitor and ensure the work efficiency of every unit in the organization and in accordance to company business objective. The Internal Audit Department itself, which is independent unit, directly reported to the Company's Board of Directors and the Audit Committee. Moreover, unit has responsibility to submit the internal audit report of the audit work by quarterly to the Audit Committee. The external auditor, who certified financial statement year 2006 for the company, suggested that there was no material deficiency in the internal control system of the company on the finance and accounting area.

The company's internal control system and internal control function can be summarized as follows:

- **The Audit Committee** – the Audit committee is responsible for assessing the adequate and effectiveness for internal control of the company by reviewing duty of the company's Internal Audit Department and company's external auditor.

In addition, the Audit Committee is also able to give any recommendations on how to improve the quality of internal audit system and internal control system directly to the Board of Directors for the improvement of internal audit practice in the future.

- **The Internal Audit department** – The duty of internal Audit department was related to auditing operations, monitoring & controlling tasks of all business units in company and subsidiaries. By assessing the likelihood and impact of each risk, the team was able to prioritize the risk importance and classify into high medium and low risk in order to improve efficiency and effectiveness to the company and subsidiaries. The unit worked closely with the board of Directors to make any recommendation for further improvement in the organization.
- **Management Control activity** – The company's Board of Directors has set the budget and business objective on the annual basis, by determining the key performance index on sales target, margin and customer satisfaction survey for the measurement. The company's goal and business plan will be later notified to all employees for action in order to help the company achieve its specified business targets.
- **Risk assessment** - the company took into account all risk factors both internal and external factors that might affected the company's performance. There would be continuously assessment of potential risk in every unit in the organization. Any deficiency will be raised in the monthly meeting and corrective action was implemented to solve the issue in order to achieve the company's target.

- **Control system** – the company clearly defined its written working objective, workflow, limit of authorization, rule, regulations and guideline to every level of the organization. This is to ensure the code of conducts are well observed and adhered by every individual in the group.

- **Information and communication-** the company has various communication networks, mainly divided into Internet website and intranet website. Internet website is a communication channel between the company and stakeholders, such as shareholders, investors, other external parties. For internal communication among the group, Intranet website, is the key instrument for the correspondence. This is to ensure the efficiency of information be accurate, sufficient and in time for all related parties.

- **Monitoring system-** in order to monitor performance of all business units in the company, the management has scheduled on the monthly basis for each business unit to report the performance. Internal audit team has also involved in the meeting to report the adequacy of control system and audit assessment in each particular unit.

The Internal Audit department is responsible to make any recommendations to the Board of Directors and the Audit Committees.

Related Transactions

The Company had related transactions with subsidiaries and related companies as disclosed in section 4 of the notes to financial statements.

Subsidiaries and joint ventures are related through common shareholding and/or directorships as indicated in the Character of Business Undertaking and Group's Shareholding structure on page 6. Shareholding of the Management are shares held in subsidiaries and joint ventures before the Company listed on the Stock Exchange of Thailand or is a result of the purchase from existing shareholders who did not wish to further hold shares in subsidiaries or joint ventures. As for Non-core Business including engineering and other services, the Management held shares in those companies to enhance the overall effectiveness of the group operation.

Reasons and Necessity of Related Transactions

The transactions are done under normal business practice with organization's benefit set as the first priority. Prices under these transactions are at market price comparable to those outsiders. The Company could be ensuring of quality control of raw material and/or most efficient selling strategy. Geographical location also influences the efficiency of raw material sourcing or production plan at certain different time frame. The marketing and production departments of each organization can plan a flexible distribution and delivery scheme that meet customer's requirement. In some situation when production line cannot meet customer's requirement, the Marketing department can enter into related transactions which bring about the highest customer satisfaction and enhance future business relationship.

Approval Process for Related Transactions

The approval of related transactions is conducted under the same practices as other outside transactions that based on normal business condition and market price. Responsible personal namely purchasing staffs or marketing officers will follow rules and procedures as set by the Company's policies. The Company reported these transactions to the Audit Committee in the approval of year-end financial statements.

Policy or the Potential of Future Related Transaction

It is expected that the Company will enter into related transactions under normal business operation in the future and in similar manner to the transactions in the preceding year. Nevertheless after the share acquisition of 7 subsidiaries at the end of the year, there would be more beneficial for the group in term of reduction redundancy of cross-shareholding structure and transfer pricing issue on the connecting transactions.

Management Discussion & Financial Analysis

Overall Performance

The main business activities is producer and distributor for ribbed smoked sheet, block rubber, and concentrate latex while the subsidiaries are the producers for ribbed smoked sheet, block rubber, concentrate latex, the engineering service provider, the shipping service provider and the rubber plantation and Para wood processor. The affiliates are the producers and distributors for medical examination glove, high pressure hydraulic hoses, rubber and plastic parts, STR block rubber and broker in Agricultural Futures Exchange of Thailand. The business strategy of company is to be the fully integrated rubber firm ranging from raw material to finished products in order to accommodate the strong demand of natural rubber in the world market.

In year 2006, the natural rubber price showed an outstanding fluctuation that never happened before. On the plus side, the demand for natural rubber in global market has continued to increase at the satisfactory rate due to the strong economy in most of major consuming countries. Coupled with the remarkable growth in China and India, the rubber industry looks very positively.

The company reported total revenues of 39,034 million Baht, an increase of 10,187 million Baht over the preceding year, representing 35 percent increase. Total sales volume was 553,861 tons, a decrease of 18,552 ton or 3 percent when compared with those of previous year, while the average selling price, ranging 2,000-2,100 US dollars per ton in year 2006. An increasing of 45-50 percent when compared with those of last year. The cost of raw material also increased but with less proportionally rate at 30-45 percent from previous year. The company had an incremental gross profit margin from 4.2 percent in year 2005 to 6.4 percent in year 2006. The company has been partially affected by the strong rise of rubber price in the first half year 2006 which lead to higher working capital required to support daily operation. While the high level of interest rate and the appreciation of Thai Baht currency against US dollar have directly affected to the company's financing cost and overall company performance. In the second half of year 2006, the rubber price has started to adjust downward with significant pace in line with other commodities. This was due to huge reduction holding position by many commodity hedge funds particularly crude oil during mid year and other various factors described under Industry analysis topic. However, the rubber price has started to recover by late November when consumer's demand was picking up again. The closing price at Singapore Commodity Exchange (SICOM) on 29th December 2006 was at 1,952 US dollars per ton for ribbed smoked sheet and 1,842 US Dollar per ton for block rubber.

By end of the year, the company has made provision for lower value of inventory for the amount of 45 million Baht. After deducting selling and administrative expenses and interests, the company had profit before other incomes in the amount of 634 million Baht. Deducting by loss in foreign exchange of 95 million Baht, adding with other income 80 million Baht and deducting income tax of 49 million Baht, the company generated operating profit of 570 million Baht. Adding the share of profit from subsidiaries and affiliates of 114 million Baht and deducting

minority interest in net profit from subsidiaries of 102 million Baht, the company had the net profit of 582 million Baht for the year 2006 compared to net loss of 173 million Baht in year 2005.

Other factors

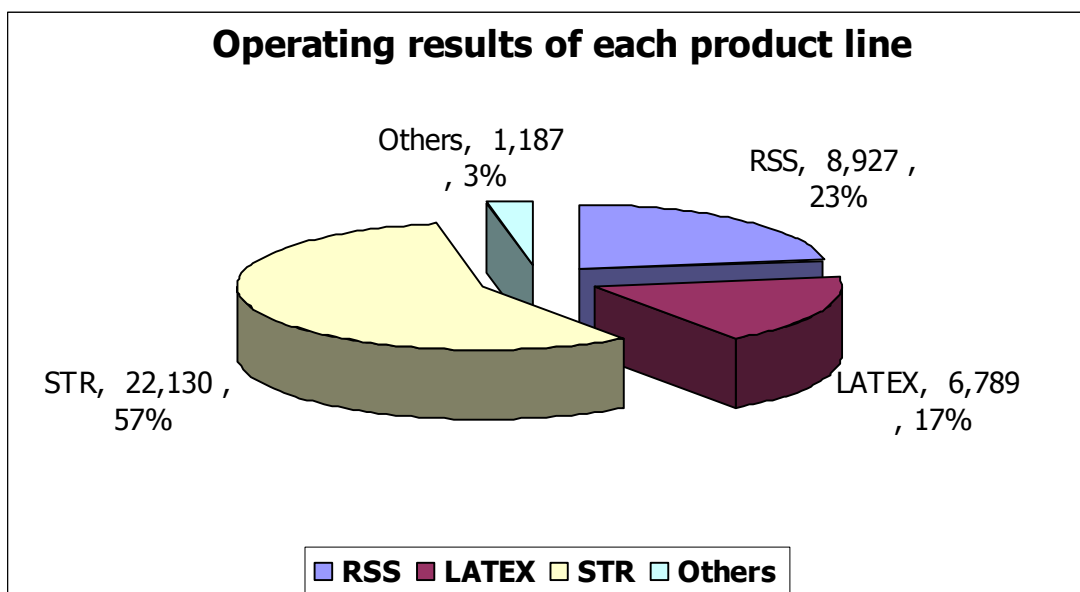
Financing expense increased from 252 million in year 2005 to 542 million Baht in year 2006 or representing 115 percent increase. Because the company had incremental in average raw material price of 30-45 percent, which resulted to higher working capital to support daily operation. Thus, loan from financial institutions increased 1,916 million Baht from 7,552 million Baht in year 2005 to 9,468 million Baht in year 2006 along with higher lending interest rate from the average 3.9 percent per annum in year 2005 to 5.7 percent per annum in year 2006.

Foreign exchange rate appreciated from 40.89 Baht per US dollar in December 2005 to 35.86 Baht per US dollar in December 2006. The average appreciation of Thai Baht against US dollar for year 2006 increased of 6.6 percent. Thus, the company had net loss from foreign exchange of 95 million Baht.

Shares of profit from investment in affiliates, amounting of 114 million Baht in year 2006, decreased by 105 million Baht or 48 percent from previous year. There were the shared profits from Thai Tech Rubber Corporation 86.7 million baht, Siam Sempermed Corporation 30 million baht and Semperfex Aisa Corporation 0.1 million baht. Those 2 mentioned companies had much lower performances compared to the previous year due to the significant increase raw material cost and strong Thai baht currency affect. While shares of profit from Sempermed USA Inc was 4.9 million baht and Semperform Pacific Corp 1.3 million baht, there were the shares of loss from Semperfex Shanghai Co.,Ltd. which was under construction 8.3 million baht and Pattana Agro Future Co.,Ltd. 0.2 million baht.

Operating Results of Each Product Line

Unit : Million Baht



Total sales and services income was 39,034 million Baht, natural rubber products accounted for 97 percent, or 37,847 million Baht. Out of total sales, Ribbed Smoked Sheet worth 8,927 million Baht or 23 percent, Concentrated Latex worth 6,790 million Baht or 17 percent and Block Rubber worth 22,130 million Baht or 57 percent. Sales of others were including parawood, latex examination gloves, and transportation and engineering services worth 1,187 million Baht represented 3 percent.

- **Ribbed Smoked Sheet (RSS)**

The Company and subsidiaries generated revenue of 8,927 million Baht from Ribbed Smoked Sheets sales, an increase of 19 percent or 1,429 million Baht over the preceding year. But the sales volume declined by 18 percent or 25,061 tons. This was mainly derived from significant increase selling price of 52 percent to around 1,900-2,200 US dollars per ton. However it was offset partially from the appreciation of Thai Baht against US dollar thus resulted in less increase rate in Thai baht term of only 46 percent. The cost of sales has increased at the less percentage to around of 35 percent. Thus, the company's gross profit had improved from negative margin of 1.2 percent in previous year to gross profit margin of 6 percent in year 2006.

- **Block Rubber (STR)**

The Company and the subsidiaries generated revenue of 22,130 million Baht from Block Rubber sales, an increase of 43 per cent or 6,628 million Baht over the preceding year. Total sales volume increased to 291,944 tons in 2006, an increase of 1,802 tons or 1 per cent when compared with previous year's sales figures. The average selling price was in range of 1,800-2,000 US dollar per ton, an increase of 48 percent. But the appreciation of Thai Baht led to the effect of sales revenue increase in Thai baht term only 42 percent, while cost of sales increased 44 percent. The company thus had reduction in gross profit margin from 6.6 percent in preceding year to 5.5 percent in year 2006.

Concentrated Latex and By-products

The group reported revenue from sales of Concentrated Latex and by-products of 6,789 million Baht, an increase of 2,074 million Baht or 44 per cent over the preceding year. Sales volume was 126,551 tons, 4 percent increase or 5,108 tons. The average selling price of raw material significantly increased by 38 percent, while costs of sales increased by 30 percent. Therefore, the Company had increase in net gross profit margin from 3 per cent to 8.6 percent.

Financial Status

- **Assets**

As of December 31, 2006, the group had total assets of 14,756 million Baht, an increase of 18 percent or 2,210 million Baht compared to the figure at the end of 2005.

Current assets worth 10,282 million Baht represented 70 percent of total assets compared to 68 per cent for the year 2005. This derived from increase in average selling price of 16 percent, comparing between the 4th quarter of year 2005 and the 4th quarter of year 2006. Inventories were valued at 6,188 million Baht. This was represented 60 percent of current assets and 42 percent to total assets. The inventory volume has increased by 27 percent due to the business plan to accommodate customers' demand which had picked up strongly since December onward. An increase in sales turnover during the year led to an increase of accounts receivable at year-end by 938 million Baht. Total account receivables was at 3,040 million Baht, represented 21 percent of total assets, compared to the year 2005 at 17 percent of total assets.

The company has the investments in subsidiaries and affiliates under equity method totaling 3,637 million Baht compared to 2,489 million Baht in 2005. An increase of 1,147 million Baht from share acquisition in 7 subsidiaries of 692 million Baht, additional investment in subsidiaries in Indonesia PT SriTrang Linga Indonesia 2.5 million US dollars or 91.3 million Baht (shareholding changed from 80 percent to 90 percent) and additional investment in Semperflex Shanghai Co., Ltd for 4 million US dollars or 149 million Baht (50 percent shareholding). Moreover, the share of profit from subsidiaries and affiliates after acquisition process for 7 subsidiaries in 27th December 2006 (99.99 percent shareholding) was 214 million Baht. From consolidated financial statement year 2006, the company had investment in subsidiaries and associated companies of 1,945 million Baht, an increase of 264 million Baht from previous year.

- **Assets Quality**

Assets

The company had the investments in marketable securities which were available for sales as at 31st December 2006 as follow;

Equities securities at cost	THB 30.90	Million
Deducted provision charge in market price	THB <u>(10.10)</u>	Million
Fair Value	THB <u>20.80</u>	Million

Trade Receivables

Account receivables at end 2006 amounted to 3,040 million Baht. Since 80 per cent of total sales derived from export and most customers were large tire manufacturers and reputable firms with strong financial records, the company did not have any problems from trade payment.

Average Aging Account Receivable

With in credit terms	THB 2,414.9	million
Overdue 1 – 30 days	THB 488.3	million
Overdue 31 – 60 days	THB 75.0	million
Overdue 61 - 90 days	THB 51.6	million
Overdue 91 - 120 days	THB 8.1	million

Overdue 121- 365 days	THB	2.2	million
Overdue more than 365 days	THB	6.1	million
Total	THB	3,046.2	million
Provision for doubtful debts	THB	6.2	million
Total Net Account Receivable	THB	<u>3,040.0</u>	million

The company had set the provision for doubtful accounts for both domestic and overseas customers totaling 6.2 million Baht. It represented 0.20 per cent of total trade receivables.

Efficiency Ratio

	2004	2005	2006
Turnover on total assets	2.85	2.46	2.87
Turnover on total fixed assets	8.57	7.79	9.29

Turnover on total assets was 2.87 times, increased from 2.46 times in 2005. This represented an ability of the company to generate income from total assets, which slightly increased from previous year. Total revenue increased 10,187 million Baht or 35 per cent from previous year. The averaged selling price for year 2006 increased by 45-50 percent due to the continued strong demands from various consuming countries. With the substantial upward adjustment in 1st half of the year, raw material price also extended the gain to the historical high. Total assets had increased by 18 percent from the preceding year mainly in the form of inventories 49 percent and 42 percent in account receivables. However, the inventory and accounts receivable can be liquidated to cash rapidly. In this year, the subsidiary in Indonesia has started trial operation since July. The hydraulic hose factory of associated companies in China, Semperflex Shanghai Co., Ltd, was in the final stage for the trial production run. The company continued to expand latex production capacity by taking over one addition latex factory in Surat Thani province as well as establishment of raw material securing base. All mentioned investments were expected to generate higher revenue and efficiency of production facility to the group in near future.

Turnover on total fixed assets was 9.29 times; increased from 7.79 times in 2005. The fixed assets had increased by 13 percent from 2005. The main ones were additional investment in affiliates in China, Semperflex Shanghai Co.,Ltd of 4 million US dollars or 149 million Baht, the investment in factory building/machinery for production efficiency improvement. Those additional assets would be beneficial to the company in the upcoming future.

- **Financial Liquidity and Investment Expenses**

Cash Flow

The Company had decrement of cash and cash equivalents of 299 million Baht with the following details:

The company had net cash used in operating activities 1,202 million Baht which was mainly due to high price level of raw material and finished products

compared to the previous year. In preparation for the strong demand trend from the consumers, the company had extended the inventories to 1,135 million Baht. The account receivables after changes in unrealized loss on exchange rate and provision for doubtful accounts also increased by 955 million Baht which was in line with much higher sales turnover in year 2006.

The company has continued to make additional investment in production facilities with the SIR factory in Indonesia of 256 million Baht, block rubber production facility improvement 47 million Baht, latex production capacity expansion 108 million Baht, ribbed smoked sheet 4 million Baht and other supporting systems for 55 million Baht. Moreover, the company had made additional investment in Semperflex Shanghai Co., Ltd for 4 million US dollars or 149 million Baht and acquired common shares of 7 subsidiaries from other shareholders at 692 million Baht (first payment of 346 million Baht was paid in late December 2006). Hence, net cash flow spending in investment was 958 million Baht. The said cash flow was generated from bank loans of 1,912 million Baht. With the dividend payments of 50 million Baht, the company had the net cash flow declined by 299 million Baht.

Keys Liquidity Ratio

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Current Ratio	1.35	1.17	1.04
Quick Ratio	0.62	0.47	0.42

Current ratio was 1.04 times, not much different from last year of 1.17 times. This was due to the growth rate of current liabilities 35 percent out pace the growth rate of current assets of 20 percent. The company needed to secure more short term loan financing to support its daily operation due to higher raw material price level. Current assets were composed of inventories and account receivables at the ratio of 60 and 30 percent respectively. They were considered high liquidity in converting into sales generating. Most account receivables were large tire manufacturers, reputable firms and subsidiaries with strong financial records, the company did not counter any problems from trade payment. The acquisition of 7 subsidiaries also somewhat deteriorated company's liquidity position.

Quick ratio The ratio lowered to 0.42 times compared to 0.47 time as of last year. Due to the increase of liabilities mainly to support the accumulation of inventories of which account 60 percent of total current assets.

Liabilities

The outstanding total liabilities at year-end were 10,594 million Baht. Deducting by cash and bank deposit of 736 million Baht, the company had net liabilities 9,858 million Baht, an increase of 2,633 million Baht over the preceding year. The trend of high of working capital continued to persist due to the highly volatility in the rubber industry. The price level was expected to remain high for the foreseeable future. The company has expanded into various projects which resulted to higher need for loan financing from financial institutions. The management has not only seeking additional credit lines from various local financial institutions but also explore possibility to issue debt instruments In 2006, the net long term debt was 714 million Baht, compared with 908 million Baht in 2005 (Note to Financial Statements 15). Since inception, the Company never had a record of being unable

to service debts. And therefore the management is confident that it would continuously received strong support from those financial institutions. The Company does not expect any negative change in this banking business relationship. For loans from foreign financial institution, the Company has entered into forward contracts to hedge any exposure to foreign exchange risk (Note to Financial Statements 22)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
D/E Ratio	1.54	1.69	2.37

Debt to Equity Ratio was 2.37 times, higher than that of the preceding year, which was at 1.69 times. The reason was an increase in liabilities to support higher purchasing price of raw materials and expanding of business line of the group. This resulted in a higher working capital requirement as well. With the satisfactory inventories turnover, the well established customers base and positive outlook from investment return, the company was very comfortable in its liquidity position to service those debts.

As of 31st December, 2006, the company had shareholders' equity of 4,161 million Baht, a decline of 123 million Baht or 3 percent from 2005. The major contribution was from decrease in minority interest from 429 million Baht to 11 million Baht in year 2006. There was the change in holding structure in subsidiary – PT Sri Trang Lingga Indonesia for the minority interest from 20 percent to 10 percent. The acquisition of 7 subsidiaries to 99.99 percent holding in late December also resulted in reduction in minority interest. The company has made the profit of 298 million baht under cost basis. Adding share of profit from subsidiaries and associates 284 million Baht, deducting dividend payment 50 million Baht , difference between book values of acquired subsidiaries lower than cost 173 million baht and cumulative translation adjustments of 64 million Baht, the parent's shareholder equity increased by 295 million Baht.

Audit Committee Report 2006

To the shareholders of Sri Trang Agro-Industry Public Company Limited

The Audit Committee was assigned by the company's Board of Directors to perform its duty and responsibilities in compliance with the Audit Committee Charter and in accordance with the requirements of the Stock Exchange of Thailand. During fiscal year 2006, the Audit Committee conducted a total of four meetings with full collaboration with senior management, external auditors and internal audit team fulfilling the scope of responsibility assigned. This can be summarized as follows:

- Review financial statements – the Audit Committee reviewed quarterly financial statements and financial statements for the year 2006 together with the external auditor and the management to ensure that the information and contents were accurate and in accordance with generally accepted accounting principles. Through the meeting, there were discussion, exchange of opinions and assessment on the reporting before granting the approval.
- Attended the meeting for review and acknowledge the report presented by Internal audit department. The committee has made the assessment for the internal audit plan/schedules for the year 2006 to ensure that there were sufficient. Various recommendation had been guided to the audit team to improve better efficiency and lower any potential risk occurred to the organization.
- Review and ensure the company be complied with government rules and regulations under the good governance concept. By having the company adhered, operated according to the regulations regarding to the Securities and Exchange Commissions Act, the Stock Exchange of Thailand Rules, and any other applicable laws. The audit committee has encouraged transparency policy by having sufficient disclosure information to the public.
- Consider the nomination and appointment of the external auditors, including remuneration. The audit committee would recommend the external auditors to the shareholders ' meeting for approval as the auditor of the company.

In conclusion, the Audit Committee has been able to carried out all assignments independently without any restrictions from the Management and has received a strong collaboration from every party involved in presenting the information for consideration

Yours sincerely,

(Mr. Sukit Attopakorn)
Chairman of Audit Committee