

Sor Nor Yor. 3012/149/2550

May 15, 2007

Subject : Clarification on Operating Results of the Q1/ 2007  
and the Effects of the Change in the Accounting Policy

Attention : Director and Manager  
Stock Exchange of Thailand

The operating results of Serm Suk Public Company Limited ("the Company") for the quarter ended March 31, 2007 as reported in the consolidated financial statements showed a net profit of Baht 105.1 million, a decrease of Baht 44.4 million which was more than 20 percent from previous year, as attributed to the following factors:

1. Sales revenues increased by Baht 324.8 million or 7.2 percent, mainly as a result of higher sales revenues of soft drinks and all other beverages compared to the same quarter of last year. Increase of sales revenues of soft drinks was attributed mainly to price increases approved by the Internal Trade Department which became effective since May 2006. On other beverages, the increase of sales revenues was the result of increase of sales volume particularly Crystal drinking water, Red Carabao, Oishi Green Tea, and the launch of new product – Tropicana Twister.
2. Cost of sales increased by Baht 344.4 million or 10.5 percent as a result of increases of wages, raw materials, packing materials, and other production costs. In 2006, the increases of certain materials, such as sugar, concentrate, and excise tax, took place at the end of the first quarter or in the subsequent quarters resulting a sharp increase of costs of sales of this quarter compared to the same quarter of 2006.
3. Selling and administrative expenses increased by Baht 48.5 million or 4.6 percent, mainly from the annual adjustment of salary and welfare, the increase of transportation costs and hired trucks, as well as the increase of depreciation. Besides the increase of the mentioned overheads, other expenses were kept constant or reduced from last year as a result of strong efforts to avoid or control costs and to increase efficiency in all working units within the organization.

Explanation on the Effects of the Change in Accounting Policy for Investments in Subsidiary and Associate Companies

The Company has changed its accounting policy for the investments in Subsidiary and Associate Companies in the "Separate Financial Statements" from the equity method to the cost method in Quarter 1/2007 ending March 31, 2007 and restated the 2006 financial statements presented for comparative purposes. Investments in Subsidiaries and Associate Companies presented in the "Separate Financial Statements" were recorded using "historical cost". Effects of the change in the accounting policy are as follows:

1. Profit & Loss Statement Net profits in the "Separate Financial Statements" as at March 31, 2007 and 2006 were lower than net profits presented in the Consolidated Financial Statements by Baht 10.1 million and Baht 7.6 million respectively. Profit per share reduced by Baht 0.04 per share and Baht 0.02 per share respectively. Such lower net profits represented profits from operations of the Company only without any share of losses and profits of the Subsidiary and Associate Companies.
2. Balance Sheet In the "Separate Financial Statements", investments in Subsidiary and Associate Companies as at March 31, 2007 and 2006 at Baht 380 million each represented investments using historical cost method of Baht 350 million for the Subsidiary Company and Baht 30 million for the Associate Company.
3. Statements of Changes in Shareholders' Equity An adjustment was made on the opening balances of the unappropriated retained earnings in the "Separate Financial Statements" as at January 1, 2006 (increase of Baht 43.4 million) and January 1, 2007 (decrease of Baht 120.8 million) to reflect the brought forward unappropriated retained earnings of the Company only.

Such change, however, was the change in accounting policy only and did not cause any change in business fundamentals.

Please be so informed.

Yours Sincerely,

(Somchai Bulsook)  
President & C.E.O.