

S & J INTERNATIONAL ENTERPRISES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2006 AND 2005****1. GENERAL INFORMATION**

1.1 Company status	A juristic person established under Thai law and listed on the Stock Exchange of Thailand.
1.2 Company location - Head office/factory - Branch - Branch	600/4 Moo 11, Sukapiban Road 8, Tambol Nhongkharm Amphur Sriracha, Chonburi, Thailand. 115 Naradhiwas Rajanakarindra Road (Soi 10), Kwaeng Tungwatdon, Khet Sathorn, Bangkok, Thailand. 662/4-6 Moo 11, Sukapiban Road 8, Tambol Nhongkharm Amphur Sriracha, Chonburi, Thailand.
1.3 Type of business	(1) Manufacturing all type of cosmetics. (2) Investing in its subsidiaries and associates which carry on business according to Note 8 to the financial statements.
1.4 Number of employees as at December 31, 2006 and 2005	(1) Including its subsidiaries 2,142 persons and 2,206 persons, respectively. (2) The Company only 1,271 persons and 1,206 persons, respectively.
1.5 Employee expenses for the years 2006 and 2005	(1) Including its subsidiaries Baht 396.04 million and Baht 357.47 million, respectively. (2) The Company only Baht 259.56 million and Baht 231.24 million, respectively.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The consolidated and Company only financial statements have been prepared in accordance with Thai Accounting Standards under the Accounting Act, B.E. 2543 (2000) including the Accounting Profession Act B.E. 2547 (2004).

2.1 These consolidated financial statements included the financial statements of S & J International Enterprises Public Company Limited with its subsidiaries and the Company's portion in associates as follows:

SUBSIDIARIES

COMPANIES	% HOLDING		ESTABLISHED IN
	2006	2005	
E F Co., Ltd.	99.99	99.99	Thailand
Top Trend Manufacturing Co., Ltd.	51	51	Thailand
Sriracha Engineering Service Co., Ltd.	51	51	Thailand
Wildlives (Thailand) Co., Ltd.	99.99	99.99	Thailand

ASSOCIATES

COMPANIES	% HOLDING		ESTABLISHED IN
	2006	2005	
Yamahatsu (Thailand) Co., Ltd.	30	30	Thailand
Shaldan (Thailand) Co., Ltd.	21	21	Thailand
Operational Energy Group Limited	30	30	Thailand

2.2 Inter-company balances and significant transactions have been eliminated in the consolidation.

2.3 The difference between book value of subsidiaries and cost of investments was shown under goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenues and expenses recognition

The Company recognized revenues and expenses from the following bases :

Sales	- Recognized as revenues whenever goods are delivered.
Revenues from goods on consignment	- Recognized as revenues whenever the consignment goods were sold to the third parties.
Rental income	- Recognized on over the lease period.
Other income	- Recognized on the accrual basis.
Expenses	- Recognized on the accrual basis.

3.2 Allowance for doubtful accounts

The Company provides allowance for doubtful accounts for the estimated losses that may be incurred from the uncollected accounts receivable based on past experience in debt collection.

3.3 Investments in Open-end Fund

Investments in Open-end Fund are considered as trading securities, stated at fair value. Cost of the disposed trading securities during the year is calculated by the weighted average method.

3.4 Inventories

Inventories are stated at cost or net realizable value, whichever is the lower. Cost is determined by the weighted average method.

The Company set up provision for diminution in value of obsolete, deteriorated goods and inventories which are expected to be unsalable by considering the condition of inventories.

3.5 Investments

Investments in subsidiaries are those companies in which the parent company, directly or indirectly, has power more than one half of the total voting rights or power to govern the financial and operating policies of subsidiaries. Investments in subsidiaries are presented by equity method and the Company is recognized for the portion of investment deficiency in proportion to its shareholding.

Investments in associates are those companies in which the parent company has shareholding from 20% to 50% of the total voting rights or has significant influence over the associates, that is the parent company has power to participate in determining relating to the financial and operating policies of the enterprise but not up to the level of governing such policies. Investments in associates are stated by equity method.

Investments in related companies are those companies in which the Company has its shareholding less than 20% and/or the companies which directly or indirectly have some common management, major shareholders or such related persons. Investments in related companies are stated at cost after deduction of provision for diminution in investment value.

Investments in other companies are those companies in which the Company has shareholding but has no power to govern or participate in setting up any policy. Investments in other companies are stated at cost after deduction of provision for diminution in investment value.

Investments in available-for-sale securities are investments in listed securities stated at fair value with the objective of long-term investments. The Company recognized its revaluation in available-for-sale securities as separate item in Shareholders' Equity, under the caption "Unrealized gain (loss) on investment revaluation".

Investments in Government bond, the Company classified as debt securities to be held-to-maturity, stated at amortized cost.

The Company calculated cost of the disposed securities during the years by the weighted average method.

The Company recorded dividend income when declared.

3.6 Investments in land

Investments in land are stated at cost after deduction of loss from the impairment of assets.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method based on the estimated useful lives of the following assets:

	<u>Years</u>
Building and improvement	20
Machineries	5
Office furniture, fixtures and equipment	5
Vehicles	5

Interest expenses incurred from loans obtained for building construction project are capitalized until such building is ready for use as required.

Expenditures for additions, renewals or betterments which affected the significant increment in value of current assets will be capitalized, considered as capital expenditures. Regarding repair and maintenance costs are recognized as expenses during the accounting periods when incurred.

3.8 Leasehold right

Leasehold right is stated at acquisition cost less amortization by using the straight-line method over leases period.

3.9 Computer softwares

Computer softwares are stated at acquisition cost less amortization by using the straight-line method within ten years.

3.10 Goodwill

Goodwill is amortized by the straight-line method within 10 years, unless there is the believable evidence that other procedure of amortization is more appropriate under the existing circumstance. In case the Company has supportive evidence of amortization by other procedure, the Company will select the amortization which appropriates for future economic benefit that the Company expects to obtain from that goodwill.

3.11 Basic earnings per share

In 2006, basic earnings per share is calculated by dividing the annual net profit by the number of issued and paid-up common stocks by the weighted average method.

Diluted earnings per share is calculated by dividing the annual net profit by the number of weighted average common stocks held by outsiders during the year plus the weighted average number of common stocks which have to be issued for the conversion of all the dilutive potential common stocks to be common stocks as such no any adjustment is made to the net profit for the year.

In 2005, basic earnings per share is calculated by dividing the annual net profit by the number of issued and paid-up common stocks at the end of the year.

3.12 Foreign currency transactions

Foreign currency transactions incurred during the years are recorded in Baht at the rate ruling on the date of transactions. Outstanding foreign currency assets and liabilities at the balance sheet date are converted to Baht at the rate of exchange in effect at that date.

Gains or losses on exchange rate fluctuation are credited or charged to operations during the years.

3.13 Forward exchange contracts

Foreign currency transactions which are made forward exchange contracts with the bank, the agreed forward exchange rates according to the remaining years of contracts from accounting period will be used to present fair value.

3.14 Cash and cash equivalents

For the purpose of preparation of cash flows statements, cash and cash equivalents are cash on hand, fixed deposits at financial institutions due not more than 3 months with no obligation.

3.15 Use of accounting estimates

In preparation of financial statements in accordance with generally accepted accounting principles requires management to use various estimates and assumptions that will be affected to the reported amounts of revenues, expenses, assets and liabilities including disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. INVESTMENTS IN OPEN-END FUND

(BAHT)

	2006	2005
Investments in Open-end Fund	3,000,000	-
Allowance for adjustment investment value	24,712	-
Investments in Open-end Fund - net	3,024,712	-

Investments in Open-end Fund are trading securities. The unrealized gain from difference between fair value and cost is shown as allowance for adjustment investment value in Open-end Fund. Gains on investments in Open-end Fund incurred during the years were duly presented in the statements of income.

5. TRADE ACCOUNTS RECEIVABLE consist of :

(BAHT)

PARTICULARS	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Trade notes receivable	20,440,766	31,674,645	17,190,088	24,827,145
Trade accounts receivable				
Current	262,410,488	238,062,856	216,013,737	191,562,584
Overdue within 3 months	86,004,538	95,474,845	61,560,009	65,518,499
Overdue between 3 to 6 months	4,432,451	3,009,833	4,129,654	2,023,264
Overdue between 6 to 12 months	6,322,785	9,491,120	5,567,746	8,029,277
Overdue more than 12 months	14,505,814	10,263,270	9,428,783	8,844,889
Total	394,116,842	387,976,569	313,890,017	300,805,658
Less Allowance for doubtful accounts	(18,468,999)	(16,757,724)	(13,399,770)	(12,276,398)
Trade accounts receivable – net	375,647,843	371,218,845	300,490,247	288,529,260

Siemens						
Holdings						
Siemens	-	-	20000	20000		
Siemens	-	-	(20000)	(20000)		
Siemens	-	-	-	-	45.58	36.47
Siemens	-	-	-	-		
Siemens	-	-	40000	40000		
Siemens	-	-	(40000)	(40000)		
Siemens	-	-	-	-	45.58	36.47
Siemens	-	-	30000	30000		
Siemens	-	-	(30000)	(30000)		
Siemens	-	-	-	-	45.58	36.47
Siemens	-	-	19000	19000		
Siemens	-	-	(19000)	(19000)		
Siemens	-	-	-	-	45.58	36.47
Siemens	-	-	75000	75000		
Siemens	-	-	(75000)	(75000)		
Siemens	-	-	-	-		20
Siemens	19000	19000	19000	19000		
Siemens	19000	19000	50000	50000		

6. - SHORT TERM LOANS TO SUBSIDIARY AND RELATED COMPANIES

(BAHT)

ARTICULARS

CONSOLIDATED		THE COMPANY ONLY		INTEREST RATE (%)	
2006	2005	2006	2005	2006	2005

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7. INVENTORIES consist of :

(BAHT)

PARTICULARS	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Finished goods	97,910,180	100,522,133	84,865,069	82,025,349
Goods in process	36,619,980	29,209,110	31,494,907	26,006,950
Raw materials	90,721,653	98,083,015	63,728,771	73,400,020
Packagings	88,161,416	85,770,010	92,394,947	89,342,669
Consumed supplies	1,463,666	1,073,508	929,874	473,637
Total	314,876,895	314,657,776	273,413,568	271,248,625
<u>Less</u> Allowance for diminution in inventory values	(7,340,843)	(2,321,072)	(2,721,966)	(1,601,072)
Inventories – net	307,536,052	312,336,704	270,691,602	269,647,553

8. INVESTMENTS FOR USING THE EQUITY METHOD consist of :

(BAHT)

	% Holding		Cost Method		Equity Method	
	2006	2005	2006	2005	2006	2005
<u>SUBSIDIARIES</u>						
E F Co., Ltd.	99.99	99.99	4,005,696	4,005,696	876,189	(65,199)
Top Trend Manufacturing Co., Ltd.	51	51	36,624,970	36,624,970	104,416,972	98,677,914
Sriracha Engineering Service Co., Ltd.	51	51	2,931,000	2,931,000	(2,196,720)	(4,440,768)
Wildlives (Thailand) Co., Ltd.	99.99	99.99	999,930	999,930	(982,303)	(956,583)
Total Investments in Subsidiaries			44,561,596	44,561,596	105,293,161	98,677,914
Total Investment Deficiency					(3,179,023)	(5,462,550)
<u>ASSOCIATES</u>						
Yamahatsu (Thailand) Co., Ltd.	30	30	5,999,950	5,999,950	21,673,036	15,950,835
Shaldan (Thailand) Co., Ltd.	21	21	4,392,000	4,392,000	3,231,953	3,142,420
Operational Energy Group Limited	30	30	13,151,749	13,151,749	32,948,338	20,733,455
Total Investments in Associates			23,543,699	23,543,699	57,853,327	39,826,710

(BAHT)

	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL		DIVIDEND	
			2006	2005	2006	2005
<u>SUBSIDIARIES</u>						
E F Co., Ltd.	Consumer products	Shareholders / co – directors	4,000,000	4,000,000	-	-
Top Trend Manufacturing Co., Ltd.	Plastic containers	Shareholders / co – directors	60,000,000	60,000,000	7,650,000	7,650,000
Sriracha Engineering Service Co., Ltd.	Engineering services	Shareholders / co – directors	3,000,000	3,000,000	612,000	-
Wildlives (Thailand) Co., Ltd.	Consumer products	Shareholders / co – directors	1,000,000	1,000,000	-	-
Total					8,262,000	7,650,000
<u>ASSOCIATES</u>						
Yamahatsu (Thailand) Co., Ltd.	Hair products	Shareholders / co–directors	20,000,000	20,000,000	-	5,939,951
Shaldan (Thailand) Co., Ltd.	Air refresher	Shareholders / co – directors	20,000,000	20,000,000	-	-
Operational Energy Group Limited	Servicing to operate the power plant	Shareholders / co – directors	30,000,000	30,000,000	8,999,990	5,999,993
Total					8,999,990	11,939,944

Due to as at December 31, 2006, Sriracha Engineering Service Company Limited and Wildlives (Thailand) Company Limited and as at December 31, 2005, E F Company Limited, Sriracha Engineering Service Company Limited and Wildlives (Thailand) Company Limited have capital deficiencies, therefore, investments in subsidiaries for using the equity method were shown in liabilities under “Investment deficiency”.

In 2005, the Company has increased the percentage of holding from 25.95% to 30% in Operational Energy Group Limited by acquiring additional investment in such company of 121,600 shares, worth Baht 1.89 million.

The financial statements of Yamahatsu (Thailand) Company Limited, Shaldan (Thailand) Company Limited and Operational Energy Group Limited, which applied for using the equity method are based on the financial information audited by the other auditors.

9. INVESTMENTS IN RELATED COMPANIES consist of :

(BAHT)

	% Holding		Cost Method		Dividend	
	2006	2005	2006	2005	2006	2005
1. Thai Q P Co., Ltd.	7.50	7.50	9,000,000	9,000,000	270,000	270,000
2. General Glass Co., Ltd.	16	10	16,000,000	2,000,000	-	200,000
3. Thai Lotte Co., Ltd.	3.64	3.64	* 8,000,000	* 8,000,000	-	-
4. Thai Fujiya Co., Ltd.	6.67	6.67	* 7,500,000	* 7,500,000	-	-
5. H & B Kabinburi Co., Ltd.	9	9	1,350,000	1,350,000	135,000	135,000
6. Osoth Interlaboratories Co., Ltd.	19	19	*22,800,000	*22,800,000	-	-
7. Thai Cubic Technology Co., Ltd.	5	5	* 2,000,000	2,000,000	-	400,000
8. Train Time Test Co., Ltd.	14	14	175,000	175,000	28,000	175,000
9. Guangdong Xiezhong Cosmetics Co., Ltd.	-	11.25	-	* 9,032,400	-	-
10. BSC Entertainment Co., Ltd.	10	10	*20,564,623	20,564,623	-	-
11. C.V.V. Hotel Business Co., Ltd.	1.56	1.56	* 887,500	* 887,500	-	-
12. Konica Minolta Photochem (Thailand) Co.,Ltd.	5	5	1,750,000	1,750,000	3,412,500	245,000
13. B.K.C. International Co., Ltd.	19	19	* 474,998	474,998	-	-
Total			90,502,121	85,534,521	3,845,500	1,425,000
Less Allowance for loss on capital decrease in						
- Thai Fujiya Co., Ltd. .			(5,500,000)	(5,500,000)		
- Osoth Interlaboratories Co., Ltd.			(2,850,000)	(2,850,000)		
- BSC Entertainment Co., Ltd.			(7,505,337)	(7,505,337)		
*Provision for impairment of investments in related companies			(33,562,761)	(33,699,981)		
Total Investments in Related Companies – net			41,084,023	35,979,203		

During 2006, General Glass Company Limited has increased its capital amount of 8,000,000 shares, worth Baht 80 million, the Company has purchased additional investments of 1,400,000 shares, with fully paid-up amount of Baht 14 million.

During 2006, the investment in Guangdong Xiezhong Cosmetics Company Limited amount of Baht 9.03 million which was totally set up the provision for impairment of such investment was dissolved. The Company obtained refund from such investment in the amount of Baht 2.54 million which was credited as gain at the same amount in the statements of income.

During 2005, BSC Entertainment Company Limited has decreased its capital of 1,000,000 shares, worth Baht 100 million, having the loss on such capital decrease amount of Baht 7.51 million.

(BAHT)

	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL	
			2006	2005
1. Thai Q P Co., Ltd.	Consumer products	Shareholders / co – directors	120,000,000	120,000,000
2. General Glass Co., Ltd.	Glass bottles	Shareholders / co – directors	100,000,000	20,000,000
3. Thai Lotte Co., Ltd.	Chewing gum	Shareholders / co – directors	220,000,000	220,000,000
4. Thai Fujiya Co., Ltd.	Cake, bakery and restaurant	Shareholders / co – directors	30,000,000	30,000,000
5. H & B Kabinburi Co., Ltd.	Cloth toy and ware	Shareholders / co – directors	15,000,000	15,000,000
6. Osoth Interlaboratories Co., Ltd.	Medicine	Shareholders / co – directors	105,000,000	105,000,000
7. Thai Cubic Technology Co., Ltd.	Plate and varnish	Shareholders / co – directors	40,000,000	40,000,000
8. Train Time Test Co., Ltd.	Training and seminar	Shareholders / co – directors	1,250,000	1,250,000
9. Guangdong Xiezhong Cosmetics Co., Ltd.	Cosmetics	Shareholders / co – directors	-	US\$3,200,000
10. BSC Entertainment Co., Ltd.	Bowling alley	Shareholders / co – directors	174,000,000	174,000,000
11. C.V.V. Hotel Business Co., Ltd.	Hotel	Shareholders / co – directors	44,000,000	44,000,000
12. Konica Minolta Photochem (Thailand) Co., Ltd.	Photographic development	Co-shareholders	35,000,000	35,000,000
13. B.K.C. International Co., Ltd.	Consumer products	Shareholders / co – directors	2,500,000	2,500,000

10. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are listed securities on the stock exchange.

(BAHT)

COMPANIES	% Holding		Cost Method		Dividend	
	2006	2005	2006	2005	2006	2005
Related Companies						
1. Boutique New City Plc.	0.02	0.02	124,000	124,000	1,400	2,000
2. Far East DDB Plc.	0.01	0.01	40,000	40,000	3,000	3,000
3. I.C.C. International Plc.	0.27	0.23	16,391,371	12,391,371	677,490	677,490
4. President Bakery Plc.	1.00	1.00	13,500,000	7,500,000	1,410,000	675,000
5. Sahacogen (Chonburi) Plc.	13.96	13.96	192,963,210	192,963,210	26,661,329	36,659,222
Total			223,018,581	213,018,581	28,753,142	38,016,712
<u>Add</u> Unrealized gain on investment revaluation			365,567,038	347,350,367	-	-
Total net investments in available-for-sales securities-related companies			588,585,619	560,368,948	28,753,142	38,016,712
Other Companies						
1. Nation Multimedia Group Plc.			8,586,370	8,586,370	-	110,775
2. Bangkok Bank Plc.			5,000,700	5,000,700	142,425	132,098
Total			13,587,070	13,587,070	142,425	242,873
<u>Less</u> Unrealized loss on investment revaluation			(1,007,156)	(434,743)	-	-
Total net investments in available-for-sales securities-other companies			12,579,914	13,152,327	142,425	242,873
Total investments in available-for-sales securities			601,165,533	573,521,275	28,895,567	38,259,585

(BAHT)

RELATED COMPANIES	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL	
			2006	2005
1. Boutique New City Plc.	Garment	Shareholders/ co – directors	120,000,000	120,000,000
2. Far East DDB Plc.	Advertising and agency	Shareholders/ co - directors	75,000,000	75,000,000
3. I.C.C. International Plc.	Commerce	Shareholders/ co – directors	290,633,730	290,633,730
4. President Bakery Plc.	Food	Co-shareholders	450,000,000	300,000,000
5. Sahacogen (Chonburi) Plc.	Generating and distributing electricity	Shareholders/ co - directors	955,000,000	955,000,000

During 2006, the Company has purchased additional investments in I.C.C. International Public Company Limited amount of 100,000 shares, worth Baht 4 million and President Bakery Public Company Limited has increased its capital amount of 15,000,000 shares, worth Baht 150 million, the Company has purchased additional investment in such company amount of 150,000 shares, worth Baht 6 million.

11. INVESTMENTS IN OTHER COMPANIES consist of :

(BAHT)

	% Holding		Cost Method		Dividend	
	2006	2005	2006	2005	2006	2005
1. Sahapat Properties Co., Ltd.	2.50	2.50	* 500,000	* 500,000	-	-
2. Eastern Rubber Co., Ltd.	1.50	1.50	* 450,000	* 450,000	-	-
3. Advantage Footwear Co., Ltd.	0.38	0.38	* 1,387,500	* 1,387,500	-	-
4. Treasure Hill Co., Ltd.	2.00	2.00	* 4,000,000	* 4,000,000	-	-
5. Thanara Co., Ltd.	1.25	1.25	750,000	750,000	-	-
6. Thai Kamaya Co., Ltd.	5.00	5.00	5,000,000	5,000,000	1,000,000	750,000
7. Thai Herbal Products Co., Ltd.	1.50	1.50	* 1,200,000	* 1,200,000	-	-
8. Tipvarin Wattana Co., Ltd.	15.00	15.00	1,454,940	1,454,940	-	-
9. Saha Sehwa Co., Ltd.	3.48	3.48	5,049,970	* 5,049,970	-	-
10. T-Way Co., Ltd.	15.00	15.00	45,000	45,000	-	-
11. K. Commercial & Construction Co., Ltd.	2.20	2.20	3,277,670	3,277,670	110,000	220,000
12. E. P. F. Co., Ltd.	18.00	18.00	* 702,000	* 702,000	-	-
13. Pan Land Co., Ltd.	1.00	1.00	* 3,000,000	* 3,000,000	-	-
14. Thai Yukilon Co., Ltd.	6.94	6.94	5,000,000	5,000,000	675,000	-
15. Sriracha Aviation Co., Ltd.	6.06	6.06	* 2,000,000	* 2,000,000	-	-
16. Waseda Education (Thailand) Co., Ltd.	8.00	8.00	* 2,000,000	* 2,000,000	-	-
Total			35,817,080	35,817,080	1,785,000	970,000
<u>Less</u> *Provision for impairment of investments in other companies			(7,310,930)	(7,598,179)		
Total Investments in Other Companies – net (The Company Only)			28,506,150	28,218,901		
SUBSIDIARIES INVEST IN						
- Treasure Hill Co., Ltd.	1.00	1.00	* 2,000,000	* 2,000,000		
- Pancomp International Co., Ltd.	5.00	5.00	* 1,000,000	* 1,000,000		
<u>Less</u> *Provision for impairment of investments in other companies			(3,000,000)	(3,000,000)		
Total Investments in Other Companies – net (Consolidated)			28,506,150	28,218,901		

12. INVESTMENTS IN GOVERNMENT BOND

The Company has purchased savings bond amounting to Baht 5.0 million of 5 year maturity, commencing from June 21, 2004 with interest rate at 4.625% per annum. This bond was pledged as a guarantee for renting factory from Preserved Food Organization (P.F.O), Ministry of Defense.

13. INVESTMENTS IN LAND

(BAHT)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Investments in land	47,990,000	47,870,000	47,870,000	47,870,000
<u>Less</u> Provision for impairment of asset	(4,400,000)	(4,400,000)	(4,400,000)	(4,400,000)
Investments in land-net	43,590,000	43,470,000	43,470,000	43,470,000

In 2005, the Company has hired the independent appraisal company to appraise the land value by using market price comparison method, according to the appraisal report on November 17, 2005. The increase in the Company's land value by assessment resulting in gain on reverse entry from loss on impairment and was shown in the statements of income.

14. PROPERTY, PLANT AND EQUIPMENT consist of :

(BAHT)

CONSOLIDATED	2005	INCREASE	DISPOSAL	TRANSFER	2006
<u>Cost</u>					
Land and improvement	29,046,625	-	-	(120,000)	28,926,625
Building and improvement	286,105,496	1,943,890	(240,710)	24,854,652	312,663,328
Furniture and fixtures	108,084,345	7,802,712	(11,455,889)	47,218,493	151,649,661
Office equipment	51,523,426	5,473,111	(2,134,566)	-	54,861,971
Machineries and equipment	848,234,626	24,332,421	(5,831,121)	25,028,613	881,764,539
Vehicles	38,546,552	2,341,410	(610,000)	-	40,277,962
Assets under construction and installation	74,574,803	33,377,900	-	(97,101,758)	10,850,945
Total cost	1,436,115,873	75,271,444	(30,272,286)	(120,000)	1,480,995,031
<u>Accumulated depreciation</u>					
Building and improvement	112,675,034	12,570,957	(240,709)	-	125,005,282
Furniture and fixtures	70,458,537	19,170,699	(11,313,448)	-	78,315,788
Office equipment	41,877,795	4,202,849	(2,130,418)	-	43,950,226
Machineries and equipment	505,001,915	78,669,337	(15,769,122)	-	567,902,130
Vehicles	24,091,581	5,327,111	(609,998)	-	28,808,694
Total accumulated depreciation	754,104,862	119,940,953	(30,063,695)	-	843,982,120
	682,011,011				637,012,911
Less Provision for impairment of assets	(2,200,000)				(2,200,000)
Total Property, Plant and Equipment–net	679,811,011				634,812,911
Depreciation for the years	111,914,189				119,940,953

As at December 31, 2006 and 2005, the Company and its subsidiaries have fully depreciated fixed assets up to their useful lives but are usable at the cost of Baht 511.51 million and Baht 419.37 million, respectively.

(BAHT)

THE COMPANY ONLY	2005	INCREASE	DISPOSAL	TRANSFER	2006
<u>Cost</u>					
Land and improvement	28,166,625	-	-	-	28,166,625
Building and improvement	227,777,294	833,897	-	24,854,652	253,465,843
Furniture and fixtures	69,060,418	742,701	-	207,000	70,010,119
Office equipment	38,535,937	3,018,923	-	-	41,554,860
Machineries and equipment	335,684,440	9,425,344	(1,751,888)	20,268,083	363,625,979
Vehicles	27,823,541	1,167,410	(550,000)	-	28,440,951
Assets under construction and installation	37,038,300	17,727,686	-	(45,329,735)	9,436,251
Total cost	764,086,555	32,915,961	(2,301,888)	-	794,700,628
<u>Accumulated depreciation</u>					
Building and improvement	103,930,298	9,322,578	-	-	113,252,876
Furniture and fixtures	51,349,996	5,857,681	-	-	57,207,677
Office equipment	32,890,109	2,493,609	-	-	35,383,718
Machineries and equipment	246,771,399	37,065,264	(1,751,883)	-	282,084,780
Vehicles	18,940,152	3,596,256	(549,999)	-	21,986,409
Total accumulated depreciation	453,881,954	58,335,388	(2,301,882)	-	509,915,460
	310,204,601				284,785,168
<u>Less</u> Provision for impairment of assets	(2,200,000)				(2,200,000)
Total Property, Plant and Equipment–net	308,004,601				282,585,168
Depreciation for the years	59,858,986				58,335,388

As at December 31, 2006 and 2005, the Company has fully depreciated fixed assets up to their useful lives but are usable at the cost of Baht 352.88 million and Baht 268.86 million, respectively.

15. LEASEHOLD RIGHT

(BAHT)

CONSOLIDATED	2005	INCREASE	DISPOSAL/ TRANSFER	2006
<u>Cost</u>				
Leasehold right of Preserved Food Organization	55,000,000	-	-	55,000,000
Other leasehold right	2,547,283	729,474	-	3,276,757
Total	57,547,283	729,474	-	58,276,757
<u>Accumulated amortization</u>				
Leasehold right of Preserved Food Organization	44,843,836	2,750,000	-	47,593,836
Other leasehold right	1,314,681	528,075	-	1,842,756
Total	46,158,517	3,278,075	-	49,436,592
Leasehold right – net	11,388,766			8,840,165
Amortization for the years	3,034,096			3,278,075

(BAHT)

THE COMPANY ONLY	2005	INCREASE	DISPOSAL/ TRANSFER	2006
<u>Cost</u>				
Leasehold right of Preserved Food Organization	55,000,000	-	-	55,000,000
Other leasehold right	354,000	-	-	354,000
Total	55,354,000	-	-	55,354,000
<u>Accumulated amortization</u>				
Leasehold right of Preserved Food Organization	44,843,836	2,750,000	-	47,593,836
Other leasehold right	222,341	88,500	-	310,841
Total	45,066,177	2,838,500	-	47,904,677
Leasehold right – net	10,287,823			7,449,323
Amortization for the years	2,838,500			2,838,500

16. COMPUTER SOFTWARES

(BAHT)

CONSOLIDATED AND THE COMPANY ONLY	2005	INCREASE	DISPOSAL/ TRANSFER	2006
Computer softwares	5,385,145	237,920	-	5,623,065
<u>Less</u> Accumulated amortization-Computer softwares	439,254	561,157	-	1,000,411
Computer softwares-net	4,945,891			4,622,654
Amortization for the years	439,254			561,157

17. OTHER RECEIVABLE

In 2000, after Osoth Interlaboratories Company Limited, its trade account receivable has made a letter of debt confirmation and guarantee for payment to the Company. The Company agreed to convert its trade receivable to long-term debt amounting to Baht 97.21 million with 3 year moratorium, commencing from December 28, 2000 to December 27, 2003. The evidence indicated ownership of machinery worth of Baht 44.47 million was pledged as collateral. After such moratorium, monthly settlement will be made at Baht 1.0 million of every month ended, commencing from January 2004, onward. Later, in February 2006, the new term and condition for repayment were requested for monthly repayment from Baht 500,000 to Baht 1,500,000 and the last payment will be made within January 2011.

18. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS consist of :

(BAHT)

PARTICULARS	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Bank overdrafts	13,562,916	3,823,283	7,323,770	3,656,632
Loans from banks	506,500,000	590,000,000	252,500,000	305,000,000
Total	520,062,916	593,823,283	259,823,770	308,656,632

Bank overdrafts and short-term loans from the financial institutions of the parent company are unsecured loans.

Subsidiaries' overdrafts from the financial institutions in the consolidation are guaranteed by the parent company.

19. DEFERRED UNEARNED RENTAL consists of :

(BAHT)

	2006	2005
Sub-rental income from related company-net (See Note 31)	5,179,596	7,205,912
Land rental income from related company-net	187,351	202,398
Total	5,366,947	7,408,310

20. STAFF PROVIDENT FUND

The Company and its employees jointly set up and registered the Provident Fund in compliance with the Provident Fund Act B.E. 2530 (1987). The total fund from the aforesaid provident fund was transferred to the "Registered Provident Fund I.C.C." managed by Bankthai Public Co., Ltd. The Fund consists of contributions from both employees and the Company at the rate 3% of employee's salaries. The Fund will pay back whenever the employees resign from the Company in accordance with the regulation of such fund.

21. PROVISION FOR EMPLOYEES' RETIREMENT FUND

The Company has the policy for employees' retirement from working at the age of 55 years with the compensation of employees' retirement fund. Provision for retirement fund for every employee of age 50 years up is created by dividing in to 2 parts. The first part is calculated according to the Labour Law, and included the second part which is calculated from present salary received multiply by the excess amount over 20 working year and dividing by 2.

22. SHARE CAPITAL

COMMON STOCKS

During May 26, 2006 to December 31, 2006, the warrant holders who are the Company's directors, employees of the Company and its subsidiaries have exercised to purchase common stocks at an exercise price of Baht 4 each. The Company has fully received the money from its shareholders and has registered the paid-up capital increase with the Ministry of Commerce as follows :-

Exercised By Warrants (Units)	Purchase Common Stocks (Shares)	Amount in (Baht)	Registered Date
1,249,500	1,249,500	4,998,000	June 7, 2006
283,000	283,000	1,132,000	July 5, 2006
32,500	32,500	130,000	August 7, 2006
102,500	102,500	410,000	September 7, 2006
13,000	13,000	52,000	October 5, 2006
134,000	134,000	536,000	December 8, 2006

WARRANTS

On April 25, 2005, the Ordinary General Shareholders' Meeting was held and has a resolution to approve the issuance of warrants offered to the directors, employees of the Company and its subsidiaries under the Company's ESOP programme of 5,000,000 units with 3 year maturity at the offering price of Baht zero. The exercise ratio is 1 unit to 1 common stock at the exercise price of Baht 4 per share. The Meeting also has a resolution to confirm the allocation of capital increase to be reserved for the exercise of warrants offering to the directors, the Company and its subsidiaries' employees of 5,000,000 units, which was duly approved by the Ordinary General Shareholders' Meeting on April 26, 2004.

As at December 31, 2006 , the warrant holders who are the Company's directors, employees of the Company and its subsidiaries have exercised their warrants to purchase 1,814,500 common stocks. Therefore, as at December 31, 2006 there are 3,185,500 units outstanding warrants.

23. LEGAL RESERVE

The Company has set up legal reserve which duly met 10 % of authorized capital, in compliance with the Public Company Act, B.E. 2535 (1992). This reserve is forbidden for dividend payment.

24. DIVIDEND PAYMENT

On April 24, 2006, the Ordinary General Shareholders' Meeting was held and approved a resolution to pay dividends for 2005 at Baht 0.60 per share to the shareholders of 100 million shares, totalling Baht 60 million. The dividend was duly paid on May 22, 2006.

On April 25, 2005, the Ordinary General Shareholders' Meeting was held and approved a resolution to pay dividends for 2004 at Baht 0.60 per share to the shareholders of 100 million shares, totalling Baht 60 million. The dividend was duly paid on May 20, 2005.

25. DIRECTORS' REMUNERATION

On April 24, 2006, the Ordinary General Shareholders' Meeting for 2006 was held and approved a resolution to pay directors' remuneration at the maximum Baht 10 million per year.

On April 18, 2006, the Ordinary General Shareholders' Meeting for 2006 of Top Trend Manufacturing Company Limited was held and approved a resolution to pay directors' remuneration amount of Baht 1.14 million.

On April 25, 2005, the Ordinary General Shareholders' Meeting for 2005 was held and approved a resolution to pay directors' remuneration at the maximum Baht 10 million per year.

On April 18, 2005, the Ordinary General Shareholders' Meeting for 2005 of Top Trend Manufacturing Company Limited was held and approved a resolution to pay directors' remuneration amount of Baht 1.10 million.

26. FOREIGN CURRENCY TRANSACTIONS

26.1 The Company has made buying forward exchange contracts with the local commercial bank for hedging against any exchange rate risk which might be affected to import trade accounts payable that can be summarized as follows :-

CURRENCIES	Amount in thousand	Exchange rate on delivery date (Baht)	Delivery date
<u>Year 2006</u>			
USD	145	35.99 – 37.30	January 2007 – March 2007
JPY	541	0.3105 – 0.3318	January 2007 – March 2007
EUR	0.9	49.240 – 49.976	January 2007
<u>Year 2005</u>			
USD	49	40.8232 – 40.97638	January 2006 – February 2006

26.2 The Company has made selling forward exchange contracts with the local commercial bank for hedging against any exchange rate risk which might be affected to export trade accounts receivable that can be summarized as follows :-

CURRENCIES	Amount in thousand	Exchange rate on delivery date (Baht)	Delivery date
<u>Year 2006</u>			
USD	1,226	35.1783 – 37.5500	February 2007 – May 2007
JPY	51,711	0.3070 – 0.3155	January 2007 – March 2007
<u>Year 2005</u>			
USD	1,810	40.67050 – 41.22574	January 2006 – June 2006
JPY	26,772	0.34220 – 0.35055	January 2006 – February 2006

26.3 The Company has outstanding assets and liabilities denominated in foreign currencies which are not covered by any hedging of exchange rate risk as follows :-

(AMOUNT IN THOUSAND)

CONSOLIDATED	2006		2005	
	Foreign currencies	Converted to Baht	Foreign currencies	Converted to Baht
Assets				
USD	20	704	62	2,550
JPY	-	-	5	2
MYR	-	-	153	1,620
Total assets		704		4,172
Liabilities				
USD	65	2,367	16	662
JPY	26,836	8,206	306	107
GBP	0.8	54	-	-
SEK	3	16	3	15
NZD	0.2	5	0.2	5
SGD	-	-	0.1	3
CHF	-	-	26	818
Total liabilities		10,648		1,610

(AMOUNT IN THOUSAND)

THE COMPANY ONLY	2006		2005	
	Foreign currencies	Converted to Baht	Foreign currencies	Converted to Baht
Assets				
USD	9	314	23	942
JPY	-	-	5	2
Total assets		314		944
Liabilities				
USD	38	1,377	10	403
JPY	-	-	306	107
GBP	0.8	54	-	-
SEK	3	16	3	15
NZD	0.2	5	0.2	5
Total liabilities		1,452		530

27. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' financial information by segment for the years ended December 31, 2006 and 2005 are as follows:

(BAHT)

Year 2006	Cosmetics	Containers	Others	Inter-company transactions		Total
				Debit	Credit	
Sales	1,891,120,518	548,565,226	17,732,367	168,031,934	-	2,289,386,177
Gross margin by segment	69,491,137	49,401,840	887,321	172,480,332	177,739,737	125,039,703
Net profit						131,942,995
Property, plant and equipment-net	282,585,168	358,159,588	232,319	11,978,621	18,142,785	634,812,911
Leasehold right-net	7,449,323	1,390,842	-	-	-	8,840,165
Computer softwares-net	4,622,654	-	-	-	-	4,622,654
Total assets						2,209,532,896

(BAHT)

Year 2005	Cosmetics	Containers	Others	Inter-company transactions		Total
				Debit	Credit	
Sales	1,554,233,311	518,204,376	25,942,823	152,028,776	30,580	1,946,382,314
Gross margin by segment	40,088,337	58,340,449	1,080,654	155,887,792	159,346,883	102,968,531
Net profit						116,600,461
Property, plant and equipment-net	308,004,601	380,742,093	250,593	8,956,510	18,142,786	679,811,011
Leasehold right-net	10,287,823	1,100,943	-	-	-	11,388,766
Computer softwares-net	4,945,891	-	-	-	-	4,945,891
Total assets						2,218,229,845

The financial information by geographical segment can be classified to local and export sales for the years then ended December 31, 2006 and 2005 as follows:

(BAHT)

Particulars	Local		Export		Total	
	2006	2005	2006	2005	2006	2005
Sales	1,501,342,677	1,409,939,445	788,043,500	536,442,869	2,289,386,177	1,946,382,314
Gross margin by segment	117,555,646	88,269,456	7,484,057	14,699,075	125,039,703	102,968,531

28. CORPORATE INCOME TAX

The Company and subsidiaries' income tax for the years then end December 31, 2006 and 2005 are calculated from accounting profit and adjusted with other revenues and some expenses which are exempted from income tax or being disallowable expenses in corporate income tax computation.

The Company's corporate income tax is computed at the rate of 25 per cent.

The Subsidiaries' corporate income tax is computed at the rate of 30 per cent.

29. TRANSACTIONS WITH RELATED PERSONS OR PARTIES

The Company has certain business transactions with its related persons or parties which are related through being directors or shareholding or having shareholders or some co-directors. The effects of these transactions were reflected in the accompanying financial statements in normal business and general trading conditions, except sub-lease contract as Note 31.

COMPANIES	RELATIONSHIP
Subsidiaries	See Note 8
Associates	See Note 8
Related companies	See Note 9
- Better Way (Thailand) Co., Ltd.	Co – directors
- International Laboratories Corp., Ltd.	Co – directors
- Vitayasithi Co., Ltd.	Co – directors
- Kewpie (Thailand) Co., Ltd.	Co – directors
- Konica Minolta Photochem (Thailand) Co., Ltd.	Co – shareholders
- Thai Wacoal Plc.	Co – shareholders
- Saha Pathana Inter-Holding Plc.	Shareholders
- O.C.C. Plc.	Co – directors
- I.C.C. International Plc.	Co – directors
- Oriental Salon Business Co., Ltd.	Co – directors
- Saha Direction International Co., Ltd.	Co – directors
- H & B Intertex Co., Ltd.	Co – directors

The significant transactions with related parties are as follows :

(BAHT)

Transactions in balance sheets	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<u>Trade accounts receivable</u>				
- Subsidiaries	-	-	1,843,775	1,402,407
- Associates	504,113	256,640	101,718	65,413
- Related companies	172,385,428	148,797,571	150,376,914	120,514,946
Total	172,889,541	149,054,211	152,322,407	121,982,766
<u>Loans extended</u>				
- Subsidiaries	-	-	3,500,000	6,500,000
- Related companies	1,900,000	1,900,000	1,900,000	1,900,000
Total	1,900,000	1,900,000	5,400,000	8,400,000
<u>Revenues receivable</u>				
- Subsidiaries	-	-	720,460	846,571
- Associates	110,881	107,309	110,881	107,309
- Related companies	25,614	59,852	25,614	59,852
Total	136,495	167,161	856,955	1,013,732
<u>Other receivable</u>				
- Related companies	40,453,410	46,953,410	40,453,410	46,953,410
<u>Unearned rental</u>				
- Related companies	4,884,591	4,884,591	4,884,591	4,884,591
<u>Trade accounts payable</u>				
- Subsidiaries	-	-	23,562,108	19,526,309
- Associates	7,932,177	11,949,520	6,261,398	9,840,973
- Related companies	3,575,039	3,789,818	943,699	1,148,617
Total	11,507,216	15,739,338	30,767,205	30,515,899
<u>Other accounts payable</u>				
- Subsidiaries	-	-	51,282	4,462
- Associates	83,059	60,669	83,059	60,669
- Related companies	1,470,101	1,451,083	1,470,101	1,451,083
Total	1,553,160	1,511,752	1,604,442	1,516,214

(BAHT)

Transactions in income statements for the years ended December 31,	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<u>Sales</u>				
- Subsidiaries	-	-	3,046,873	2,893,390
- Associates	9,013,407	5,626,173	756,344	1,060,350
- Related companies	840,409,637	848,657,886	727,900,298	709,471,551
Total	849,423,044	854,284,059	731,703,515	713,425,291
<u>Rental income</u>				
- Associates	8,807,153	5,445,613	8,807,153	5,445,613
- Related companies	9,714,044	9,901,958	9,714,044	9,901,958
Total	18,521,197	15,347,571	18,521,197	15,347,571
<u>Other income</u>				
- Subsidiaries	-	-	3,098,234	3,366,297
- Associates	1,479,117	1,494,194	1,479,117	1,494,194
- Related companies	1,655,226	10,364,849	1,655,226	10,364,849
Total	3,134,343	11,859,043	6,232,577	15,225,340
<u>Purchase and service</u>				
- Subsidiaries	-	-	164,784,931	148,943,548
- Associates	54,768,353	58,639,896	48,777,976	52,182,949
- Related companies	46,921,259	19,292,586	46,921,259	19,292,586
Total	101,689,612	77,932,482	260,484,166	220,419,083
<u>Rental expenses</u>				
- Associates	752,400	916,200	752,400	916,200
- Related companies	9,450,870	5,162,018	9,450,870	5,162,018
Total	10,203,270	6,078,218	10,203,270	6,078,218
<u>Other expenses</u>				
- Subsidiaries	-	-	184,610	199,467
- Associates	385,473	410,276	348,558	386,277
- Related companies	64,500,932	58,893,798	27,526,057	21,824,591
Total	64,886,405	59,304,074	28,059,225	22,410,335

Income from sales, purchase of goods and service and other income and expenses as shown in the income statements are in accordance with general trading conditions under fixing price or at market price. For the transactions with no reference of market price, the agreed prices according to the agreement are applied.

30. COMMITMENT AND CONTINGENT LIABILITIES

(BAHT)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
30.1 Commitment under letters of guarantee issued by commercial banks	57,990,976	37,355,279	57,570,976	36,335,279
30.2 Commitment under letters of guarantee on overdrafts with commercial banks for - Associates	4,200,000	-	4,200,000	-
30.3 Letters of credit	9,358,209	1,404,316	163,039	323,269
30.4 Royalty fees are payable by calculating from percentage of sales at the rate as fixed in the agreement.				
30.5 Lease contract of Preserved Food Organization (P.F.O.) yearly (See Note 31).				
30.6 Lease and service contracts for the office and warehouse having periods from 2 years onward as specified in each contract. As at December 31, 2006 the Company has commitment to pay future monthly rental and services approximately for				
	Consolidated	Baht	1,101,932	
	The Company Only	Baht	669,400	

31. LEASEHOLD RIGHT AND SUB-LEASE CONTRACT

On September 11, 1989, the Company has made Lease Contract with the Preserved Food Organization (P.F.O.), Ministry of Defense for the period of 20 years, commencing from September 11, 1989 to September 10, 2009. On July 23, 1990, the Company has made sub-lease contract of some portion to Thai Q P Company Limited, its related company for the period of 19 years, commencing from July 23, 1990 to July 23, 2009 as the following details :

(BAHT)

	Portion paid to Ministry of Defense	Portion received From Thai Q P Co., Ltd.
1. Rental fee of Preserved Food Organization (P.F.O.)		
- Amount paid at the beginning of contract	55,000,000	38,500,000
- Balance as at December 31, 2006	7,406,164	5,179,596
- Balance as at December 31, 2005	10,156,164	7,205,912
(Shown under leasehold right and unearned rental)		
2. Security for damage	5,000,000	3,500,000
(Shown under investments in bond and guarantee income)		
3. Yearly rental (increasing in every 5 years)		
- Balance as at December 31, 2006	4,884,591	4,884,591
- Balance as at December 31, 2005	4,884,591	4,884,591
(Shown under prepaid and unearned rental)		
4. Related insurance premiums and other expenses will be totally collected from Thai Q P Co., Ltd.		
(Shown under selling/administrative expenses and compensation income)		

32. DILUTED EARNINGS PER SHARE RECONCILIATION

	For the year ended December 31, 2006		
	Net profit	Number of shares	Earnings per shares
<u>Basic Earnings per share</u>			
Net profit available to ordinary shareholders	131,942,995	100,909,215	1.31
<u>Effect of assumed conversion</u>			
Warrants	-	2,785,643	
<u>Diluted Earnings per share</u>			
Net profit available to ordinary shareholders plus assumed conversion	131,942,995	103,694,858	1.27

33. FINANCIAL INSTRUMENTS

The Company has information relating to financial instruments both in and off balance sheets, as follows:

33.1 Accounting policies and procedure

- See Note 3.

33.2 Risk from breach of contracts

- Due to the counterparty does not follow the requirement in the contract which caused damage to the Company.
- The credit risk with respect to the concentration of trade accounts receivable, consists of
 - a) Portion of sales to customers that are related companies. (See Note 29)
 - b) Another portion of sales to other customers that are numerously.

- For the financial assets shown in the balance sheets, the book value of such assets is net from various provisions to be estimated fair value. Such provisions are assumed to be the highest value of risk incurred from breach of contracts.

33.3 Risk relating to interest rate

Risk from the fluctuation of interest rate may have negative effect to the Company for the current and the following years. The Company expects that it can manage the contingent risk, due to it has set up a plan and follow up the situation closely.

33.4 Risk from exchange rate

The Company has risk from the fluctuation of foreign exchange rates, due to some debtors and creditors arisen from the trading in foreign currencies. The Company will make the forward exchange contract, in case of Baht currency is highly fluctuated and it is appropriate for the situation.

33.5 Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of financial instruments:

- Financial assets shown at book value which are equal to the estimated fair value.
- Financial liabilities shown at book value which are equal to the estimated fair value, due to such liabilities will be matured in short term.

34 FINANCIAL STATEMENTS APPROVAL

These financial statements are duly approved by the Company's directors.