

**S & J INTERNATIONAL ENTERPRISES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006 AND 2005**

**1. GENERAL INFORMATION**

<b>1.1</b> Company status	A juristic person established under Thai law and listed on the Stock Exchange of Thailand.
<b>1.2</b> Company location <ul style="list-style-type: none"><li>- Head office/factory</li><li>- Branch</li><li>- Branch</li></ul>	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.
<b>1.3</b> Type of business	(1) Manufacturing all type of cosmetics. (2) Investing in its subsidiaries and associates which carry on business according to Note 6 to the financial statements.
<b>1.4</b> Number of employees as at September 30, 2006 and 2005	(1) Including its subsidiaries 2,580 persons and 2,552 persons, respectively. (2) The Company only 1,571 persons and 1,416 persons, respectively.
<b>1.5</b> Employee expenses for the nine-month periods ended September 30, 2006 and 2005	(1) Including its subsidiaries Baht 297.73 million and Baht 263.31 million, respectively. (2) The Company only Baht 192.34 million and Baht 170.72 million, respectively.

## 2. BASIS FOR PREPARATION OF INTERIM FINANCIAL STATEMENTS

These interim financial statements are prepared in accordance with the Accounting Act B.E. 2543 (2000) and generally accepted accounting principles. The interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2005.

2.1 The interim consolidated financial statements included the interim 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 transactions have been eliminated in the interim 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.
- 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 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.

#### **3.4 Investments**

Investments in subsidiaries are those companies in which the parent in the group companies, 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 responsible for the portion of investment deficiency in proportion to its shareholding.

Investments in associates are those companies in which the parent in the group companies has shareholding from 20% to 50% of the total voting rights or has significant influence over the associates, that is the parent in the group companies 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 group companies have 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 group companies have shareholding but have 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 periods by the weighted average method.

The Company recorded dividend income when declared.

### **3.5 Investments in land**

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

### **3.6 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.

### **3.7 Leasehold right**

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

### **3.8 Computer softwares**

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

### **3.9 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 appropriate amortization for future economic benefit that the Company expects to obtain from that goodwill.

### **3.10 Basic earnings per share**

In 2006, basic earnings per share is calculated by dividing the periodical 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 periodical net profit by the number of weighted average common stocks held by outsiders during the period 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 period.

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

### **3.11 Foreign currency transactions**

Foreign currency transactions incurred during the periods 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 periods.

### **3.12 Forward exchange contracts**

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

### **3.13 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.

### 3.14 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. TRADE ACCOUNTS RECEIVABLE consist of :

(THOUSAND BAHT)

PARTICULARS	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Trade notes receivable	16,126	31,675	12,903	24,827
Trade accounts receivable				
Current	427,530	238,063	378,807	191,563
Overdue within 3 months	106,491	95,475	81,586	65,518
Overdue between 3 to 6 months	4,864	3,010	4,137	2,023
Overdue between 6 to 12 months	13,163	9,491	11,684	8,029
Overdue more than 12 months	12,735	10,263	8,383	8,845
Total	580,909	387,977	497,500	300,805
<u>Less</u> Allowance for doubtful accounts	(14,954)	(16,758)	(10,138)	(12,276)
Trade accounts receivable – net	565,955	371,219	487,362	288,529

5. **SHORT-TERM LOANS TO SUBSIDIARY AND RELATED COMPANIES**

(THOUSAND BAHT)

PARTICULARS	CONSOLIDATED		THE COMPANY ONLY		INTEREST RATE (%)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
- Subsidiaries						
E F Co., Ltd.						
Beginning Balances	-	-	2,000	3,000		
Settlement during the periods	-	-	(1,000)	(1,000)		
Ending Balances	-	-	1,000	2,000	4.75 – 5.50	3.50 – 4.75
Wildlives (Thailand) Co., Ltd.						
Beginning Balances	-	-	4,500	3,500		
Increase during the period	-	-	-	1,000		
Settlement during the period	-	-	(500)	-		
Ending Balances	-	-	4,000	4,500	4.75 – 5.50	3.50 – 4.75
Total Short-term Loans to Subsidiaries	-	-	5,000	6,500		
- Related Companies						
Osoth Interlaboratories Co., Ltd.						
Beginning Balances	1,900	10,000	1,900	10,000		
Settlement during the period	-	(8,100)	-	(8,100)		
Ending Balances	1,900	1,900	1,900	1,900	4.75 – 5.50	3.00 – 4.75
General Glass Co., Ltd.						
Beginning Balances	-	7,450	-	7,450		
Settlement during the periods	-	(7,450)	-	(7,450)		
Ending Balances	-	-	-	-	-	2.00
Total Short-term Loans to Related Companies	1,900	1,900	1,900	1,900		
Total Short-term Loans to Subsidiary and Related Companies	1,900	1,900	6,900	8,400		

Short-term loans to subsidiary and related companies are unsecured loans.

6. INVESTMENTS FOR USING THE EQUITY METHOD consist of :

(THOUSAND BAHT)

	% Holding		Cost Method		Equity Method	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
<b><u>SUBSIDIARIES</u></b>						
E F Co., Ltd.	99.99	99.99	4,006	4,006	607	(65)
Top Trend Manufacturing Co., Ltd.	51	51	36,625	36,625	105,007	98,678
Sriracha Engineering Service Co., Ltd.	51	51	2,931	2,931	(2,877)	(4,441)
Wildlives (Thailand) Co., Ltd.	99.99	99.99	1,000	1,000	(970)	(957)
Total Investments in Subsidiaries			44,562	44,562	105,614	98,678
Total Investment Deficiency					(3,847)	(5,463)
<b><u>ASSOCIATES</u></b>						
Yamahatsu (Thailand) Co., Ltd.	30	30	6,000	6,000	20,122	15,951
Shaldan (Thailand) Co., Ltd.	21	21	4,392	4,392	3,039	3,142
Operational Energy Group Limited	30	30	13,151	13,151	26,571	20,734
Total Investments in Associates			23,543	23,543	49,732	39,827

(THOUSAND BAHT)

	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL		DIVIDEND	
			September 30, 2006	December 31, 2005	September 30, 2006	September 30, 2005
<b><u>SUBSIDIARIES</u></b>						
E F Co., Ltd.	Consumer products	Shareholders / co – directors	4,000	4,000	-	-
Top Trend Manufacturing Co., Ltd.	Plastic containers	Shareholders / co – directors	60,000	60,000	7,650	7,650
Sriracha Engineering Service Co., Ltd.	Engineering services	Shareholders / co – directors	3,000	3,000	612	-
Wildlives (Thailand) Co., Ltd.	Consumer products	Shareholders / co – directors	1,000	1,000	-	-
Total					8,262	7,650
<b><u>ASSOCIATES</u></b>						
Yamahatsu (Thailand) Co., Ltd.	Hair products	Shareholders / co – directors	20,000	20,000	-	5,940
Shaldan (Thailand) Co., Ltd.	Air refresher	Shareholders / co – directors	20,000	20,000	-	-
Operational Energy Group Limited	Servicing to operate the power plant	Shareholders / co – directors	30,000	30,000	9,000	6,000
Total					9,000	11,940

Due to as at September 30, 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".

During 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 prepared by their management and not yet reviewed by the auditors.

7. INVESTMENTS IN RELATED COMPANIES consist of :

(THOUSAND BAHT)

	% Holding		Cost Method		Dividend	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005	September 30, 2006	September 30, 2005
1. Thai Q P Co., Ltd.	7.50	7.50	9,000	9,000	270	270
2. General Glass Co., Ltd.	16	10	16,000	2,000	-	200
3. Thai Lotte Co., Ltd.	3.64	3.64	* 8,000	* 8,000	-	-
4. Thai Fujiya Co., Ltd.	6.67	6.67	* 7,500	* 7,500	-	-
5. H & B Kabinburi Co., Ltd.	9	9	1,350	1,350	135	135
6. Osoth Interlaboratories Co., Ltd.	19	19	* 22,800	* 22,800	-	-
7. Thai Cubic Technology Co., Ltd.	5	5	* 2,000	2,000	-	400
8. Train Time Test Co., Ltd.	14	14	175	175	28	175
9. Guangdong Xiezhong Cosmetics Co., Ltd.	-	11.25	-	* 9,032	-	-
10. BSC Entertainment Co., Ltd.	10	10	* 20,565	20,565	-	-
11. C.V.V. Hotel Business Co., Ltd.	1.56	1.56	* 888	* 888	-	-
12. Konica Minolta Photochem (Thailand) Co., Ltd.	5	5	1,750	1,750	175	245
13. B.K.C. International Co., Ltd.	19	19	* 475	475	-	-
Total			90,503	85,535	608	1,425
<u>Less</u> Allowance for loss on capital decrease in						
- Thai Fujiya Co., Ltd. .			(5,500)	(5,500)		
- Osoth Interlaboratories Co., Ltd.			(2,850)	(2,850)		
- BSC Entertainment Co., Ltd.			(7,505)	(7,505)		
*Provision for impairment of investments in related companies			(33,563)	(33,700)		
Total Investments in Related Companies – net			41,085	35,980		

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 profit at the same amount in the statements of income.

(THAI CURRENCY : THOUSAND BAHT)

(FOREIGN CURRENCIES : THOUSAND)

	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL	
			September 30, 2006	December 31, 2005
1. Thai Q P Co., Ltd.	Consumer products	Shareholders / co – directors	120,000	120,000
2. General Glass Co., Ltd.	Glass bottles	Shareholders / co – directors	100,000	20,000
3. Thai Lotte Co., Ltd.	Chewing gum	Shareholders / co – directors	220,000	220,000
4. Thai Fujiya Co., Ltd.	Cake, bakery and restaurant	Shareholders / co – directors	30,000	30,000
5. H & B Kabinburi Co., Ltd.	Cloth toy and ware	Shareholders / co – directors	15,000	15,000
6. Osoth Interlaboratories Co., Ltd.	Medicine	Shareholders / co – directors	105,000	105,000
7. Thai Cubic Technology Co., Ltd.	Plate and varnish	Shareholders / co – directors	40,000	40,000
8. Train Time Test Co., Ltd.	Training and seminar	Shareholders / co – directors	1,250	1,250
9. Guangdong Xiezhong Cosmetics Co., Ltd.	Cosmetics	Shareholders / co – directors	-	US\$ 3,200
10. BSC Entertainment Co., Ltd.	Bowling alley	Shareholders / co – directors	174,000	174,000
11. C.V.V. Hotel Business Co., Ltd	Hotel	Shareholders / co – directors	44,000	44,000
12. Konica Minolta Photochem (Thailand) Co., Ltd.	Photographic development	Co-shareholders	35,000	35,000
13. B.K.C. International Co., Ltd.	Consumer products	Shareholders / co – directors	2,500	2,500

## 8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

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

(THOUSAND BAHT)

COMPANIES	% Holding		Cost Method		Dividend	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005	September 30, 2006	September 30, 2005
<b>Related Companies</b>						
1. Boutique New City Plc.	0.02	0.02	124	124	2	2
2. Far East DDB Plc.	0.01	0.01	40	40	3	3
3. I.C.C. International Plc.	0.27	0.23	16,391	12,391	678	677
4. President Bakery Plc.	1.00	1.00	13,500	7,500	1,410	675
5. Sahacogen (Chonburi) Plc.	13.96	13.96	192,963	192,963	26,660	36,659
Total			223,018	213,018	28,753	38,016
<u>Add</u> Unrealized gain on investment revaluation			357,263	347,350	-	-
Total net investments in available-for-sales securities-related companies			580,281	560,368	28,753	38,016
<b>Other Companies</b>						
1. Nation Multimedia Group Plc.			8,586	8,586	-	111
2. Bangkok Bank Plc.			5,001	5,001	143	132
Total			13,587	13,587	143	243
<u>Add</u> Unrealized loss on investment revaluation			(1,530)	(434)	-	-
Total net investments in available-for-sales securities-other companies			12,057	13,153	143	243
<b>Total investments in available-for-sales securities</b>			592,338	573,521	28,896	38,259

(THOUSAND BAHT)

RELATED COMPANIES	TYPE OF BUSINESS	RELATIONSHIP	ISSUED AND PAID –UP SHARE CAPITAL	
			September 30, 2006	December 31, 2005
1. Boutique New City Plc.	Garment	Shareholders / co – directors	120,000	120,000
2. Far East DDB Plc.	Advertising and agency	Shareholders / co – directors	75,000	75,000
3. I.C.C. International Plc.	Commerce	Shareholders / co – directors	290,634	290,634
4. President Bakery Plc.	Food	Co-shareholders	450,000	300,000
5. Sahacogen (Chonburi) Plc.	Generating and distributing electricity	Shareholders / co – directors	955,000	955,000

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.

9. INVESTMENTS IN OTHER COMPANIES consist of :

(THOUSAND BAHT)

	% Holding		Cost Method		Dividend	
	September	December	September 30,	December 31,	September	September
	30, 2006	31, 2005	2006	2005	30, 2006	30, 2005
1. Sahapat Properties Co., Ltd.	2.50	2.50	* 500	* 500	-	-
2. Eastern Rubber Co., Ltd.	1.50	1.50	* 450	* 450	-	-
3. Advantage Footwear Co., Ltd.	0.38	0.38	* 1,387	* 1,387	-	-
4. Treasure Hill Co., Ltd.	2.00	2.00	* 4,000	* 4,000	-	-
5. Thanara Co., Ltd.	1.25	1.25	750	750	-	-
6. Thai Kamaya Co., Ltd.	5.00	5.00	5,000	5,000	1,000	750
7. Thai Herbal Products Co., Ltd.	1.50	1.50	* 1,200	* 1,200	-	-
8. Tipvarin Wattana Co., Ltd.	15.00	15.00	1,455	1,455	-	-
9. Saha Sehwa Co., Ltd.	3.48	3.48	5,050	* 5,050	-	-
10. T-Way Co., Ltd.	15.00	15.00	45	45	-	-
11. K. Commercial & Construction Co., Ltd.	2.20	2.20	3,278	3,278	110	220
12. E. P. F. Co., Ltd.	18.00	18.00	* 702	* 702	-	-
13. Pan Land Co., Ltd.	1.00	1.00	* 3,000	* 3,000	-	-
14. Thai Yukilon Co., Ltd.	6.94	6.94	5,000	5,000	675	-
15. Sriracha Aviation Co., Ltd.	6.06	6.06	* 2,000	* 2,000	-	-
16. Waseda Education (Thailand) Co., Ltd.	8.00	8.00	* 2,000	* 2,000	-	-
Total			35,817	35,817	1,785	970
<u>Less</u> *Provision for impairment of investments in other companies			(7,311)	(7,598)		
Total Investments in Other Companies – net			28,506	28,219		

## 10. OTHER RECEIVABLES

In 2000, the 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, onwards. Later, in February 2006, the new term and condition for repayment were relaxed by monthly repayment from Baht 500,000 to Baht 1,500,000 and the last payment will be made in January 2011.

## 11. SHARE CAPITAL

### COMMON STOCKS

During May 26, 2006 to August 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 follow :-

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

During September 27-29, 2006, the warrant holders who are the Company's directors, employees of the Company and its subsidiaries have exercised 13,000 warrants to purchase 13,000 common stocks at an exercise price of Baht 4 each totalling Baht 52,000. The Company recorded the advance receipt from the exercise of such warrants under the caption "Advance receipt from share subscription", presenting it under shareholders' equity in the balance sheet as at September 30, 2006. The Company registered the above increase in its paid up share capital with the Ministry of Commerce on October 5, 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 September 30, 2006 , the warrant holders who are the Company's directors, employees of the Company and its subsidiaries have exercised their warrants to purchase 1,680,500 common stocks. Therefore, as at September 30, 2006 there are 3,319,500 outstanding balances of warrants.

## **12. 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.

**13. DIVIDEND PAYMENT**

On April 24, 2006, the Ordinary General Shareholders' Meeting was held and approved a resolution to pay dividends for 2005 to the shareholders of 100 million shares at Baht 0.60 per share, totalling Baht 60 million. The dividend payment was made 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 payment was made on May 20, 2005.

**14. DIRECTORS' REMUNERATION**

On April 24, 2006, the Ordinary General Shareholders' Meeting 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 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 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 of Top Trend Manufacturing Company Limited was held and approved a resolution to pay directors' remuneration amount of Baht 1.10 million.

## 15. FOREIGN CURRENCY TRANSACTIONS

15.1 The Company has made Buying Forward Exchange Contracts with the local commercial bank for hedging against any risk in exchange rate fluctuation which might be affected to Baht payable to the foreign accounts payable that can be summarized as follows :-

CURRENCIES	Amount in thousand	Exchange rate on delivery date (Baht)	Delivery date
<u>As at September 30, 2006</u>			
USD	341	37.25000-37.71248	October 2006 – December 2006
JPY	797	0.3192-0.353561	October 2006 – March 2007
GBP	4	70.014-70.9276	October 2006 – March 2007
EUR	1	49.24-49.976	October 2006 – January 2007
<u>As at December 31, 2005</u>			
USD	49	40.8232 – 40.97638	January 2006 – February 2006

15.2 The Company has made Selling Forward Exchange Contracts with the local commercial bank for hedging against any risk in exchange rate fluctuation 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>As at September 30, 2006</u>			
USD	5,519	37.346 – 37.880	October 2006 – February 2007
JPY	39,628	0.3212 – 0.3320	October 2006 – December 2006
<u>As at December 31, 2005</u>			
USD	1,810	40.67050 – 41.22574	January 2006 – June 2006
JPY	26,772	0.34220 – 0.35055	January 2006 – February 2006

15.3 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	September 30, 2006		December 31, 2005	
	Foreign currencies	Converted to Baht	Foreign currencies	Converted to Baht
<b>Assets</b>				
USD	40	1,495	62	2,550
JPY	113	36	5	2
GBP	0.08	5	-	-
MYR	28	275	153	1,620
Total assets		1,811		4,172
<b>Liabilities</b>				
USD	250	9,394	16	662
JPY	561	180	306	107
GBP	4	300	-	-
EUR	2	75	-	-
SEK	3	15	3	15
NZD	2	38	0.2	5
HKD	9	46	-	-
SGD	-	-	0.1	3
CHF	9	261	26	818
Total liabilities		10,309		1,610

(AMOUNT IN THOUSAND)

THE COMPANY ONLY	September 30, 2006		December 31, 2005	
	Foreign currencies	Converted to Baht	Foreign currencies	Converted to Baht
<b>Assets</b>				
USD	10	367	23	942
JPY	113	36	5	2
GBP	0.08	5	-	-
Total assets		408		944
<b>Liabilities</b>				
USD	226	8,515	10	403
JPY	225	72	306	107
GBP	4	300	-	-
SEK	3	15	3	15
NZD	2	38	0.2	5
HKD	9	46	-	-
Total liabilities		8,986		530

## 16. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' financial information by segment for the nine-month periods ended September 30, 2006 and 2005 are as follows :

(THOUSAND BAHT)

Year 2006	Cosmetics	Containers	Others	Inter-company transactions		Total
				Debit	Credit	
Sales	1,386,684	420,055	11,593	127,603	-	1,690,729
Gross margin by segment	53,723	47,924	684	132,146	135,785	105,970
Net profit						108,035
Property, plant and equipment-net	290,750	361,352	254	11,217	18,143	645,430
Leasehold right-net	8,165	1,521	-	-	-	9,686
Computer software	4,764	-	-	-	-	4,764
Total assets						2,535,353

(THOUSAND BAHT)

Year 2005	Cosmetics	Containers	Others	Inter-company transactions		Total
				Debit	Credit	
Sales	1,136,586	397,555	20,314	122,123	18	1,432,350
Gross margin by segment	33,301	54,728	858	125,640	127,359	90,606
Net profit						97,854
Property, plant and equipment-net	304,222	382,177	272	8,195	18,143	676,723
Leasehold right-net	11,003	420	-	-	-	11,423
Computer software	5,082	-	-	-	-	5,082
Total assets						2,272,001

The financial information by geographical segment can be classified to local and export sales for the nine-month periods, ended September 30, 2006 and 2005 as follows:

(THOUSAND BAHT)

Particulars	Local		Export		Total	
	2006	2005	2006	2005	2006	2005
Sales	1,064,573	1,009,508	626,156	422,842	1,690,729	1,432,350
Gross margin by segment	90,840	76,000	15,130	14,606	105,970	90,606

## 17. INCOME TAX EXPENSE

The Company and subsidiaries' income tax for the three-month and nine-month periods ended September 30, 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 taxes are computed at the rate of 30 per cent.

**18. TRANSACTIONS WITH RELATED PERSONS OR PARTIES**

The Company has certain business transactions with its related persons or parties which are related through directorship 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 20.

COMPANIES	RELATIONSHIP
Subsidiaries	See Note 6
Associates	See Note 6
Related companies	See Note 7
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 :**

(THOUSAND BAHT)

Transactions in balance sheets	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
<u>Trade accounts receivable</u>				
- Subsidiaries	-	-	494	1,402
- Associates	1,506	257	128	66
- Related companies	153,495	148,797	133,110	120,515
Total	155,001	149,054	133,732	121,983
<u>Loans extended</u>				
- Subsidiaries	-	-	5,000	6,500
- Related companies	1,900	1,900	1,900	1,900
Total	1,900	1,900	6,900	8,400
<u>Revenues receivable</u>				
- Subsidiaries	-	-	573	847
- Associates	27	107	27	107
- Related companies	5	60	5	60
Total	32	167	605	1,014
<u>Other receivables</u>				
- Related companies	41,953	46,953	41,953	46,953
<u>Unearned rental</u>				
- Related companies	6,661	4,885	6,661	4,885
<u>Trade accounts payable</u>				
- Subsidiaries	-	-	31,988	19,526
- Associates	11,362	11,949	10,522	9,841
- Related companies	4,904	3,790	1,744	1,149
Total	16,266	15,739	44,254	30,516
<u>Other accounts payable</u>				
- Subsidiaries	-	-	-	4
- Associates	37	61	37	61
- Related companies	2,119	1,451	2,119	1,451
Total	2,156	1,512	2,156	1,516

(THOUSAND BAHT)

Transactions in income statements for the nine-month periods ended September 30,	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<u>Sales</u>				
- Subsidiaries	-	-	1,343	1,600
- Associates	7,732	4,464	543	850
- Related companies	566,175	603,266	481,009	494,858
Total	573,907	607,730	482,895	497,308
<u>Rental income</u>				
- Associates	6,537	3,585	6,537	3,585
- Related companies	8,570	5,435	8,570	5,435
Total	15,107	9,020	15,107	9,020
<u>Other income</u>				
- Subsidiaries	-	-	2,276	2,299
- Associates	1,069	958	1,069	958
- Related companies	1,546	10,190	1,546	10,190
Total	2,615	11,148	4,891	13,447
<u>Purchase and service</u>				
- Subsidiaries	-	-	126,112	120,344
- Associates	43,646	42,766	39,596	38,661
- Related companies	22,963	12,626	22,963	12,626
Total	66,609	55,392	188,671	171,631
<u>Rental expenses</u>				
- Associates	564	728	564	728
- Related companies	8,273	4,295	8,273	4,295
Total	8,837	5,023	8,837	5,023
<u>Other expenses</u>				
- Subsidiaries	-	-	137	187
- Associates	356	294	291	276
- Related companies	48,810	41,914	20,936	15,803
Total	49,166	42,208	21,364	16,266

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.

**19. COMMITMENT AND CONTINGENT LIABILITIES**

(THOUSAND BAHT)

	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
19.1 Commitment under letters of guarantee issued by commercial banks	68,752	37,355	68,332	36,335
19.2 Letters of credit	3,755	1,404	2,432	323
19.3 Royalty fees are payable by calculating from percentage of sales at the rate as fixed in the agreement.				
19.4 Lease contract of Preserved Food Organization (P.F.O.) yearly (See Note 20).				
19.5 Lease and service contracts for the office and warehouse having periods from 2 years onward as specified in each contract. As at September 30, 2006, the Company has commitment to pay future monthly rental and services approximately for				
	Consolidated	Baht	1,169,932	
	The Company Only	Baht	737,400	

**20. 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 :

(THOUSAND 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	38,500
- Balance as at September 30, 2006	8,099	5,686
- Balance as at December 31, 2005	10,156	7,206
Shown under leasehold right and unearned rental		
2. Security for damage	5,000	3,500
Shown under investments in bond and guarantee income		
3. Yearly rental (increasing in every 5 years)		
- Balance as at September 30, 2006	6,661	6,661
- Balance as at December 31, 2005	4,885	4,885
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)		

**21. DILUTED EARNINGS PER SHARE RECONCILIATION**

	For the three-month period ended September 30, 2006		
	Net profit	Number of shares	Earnings per shares
	<u>Thousand Baht</u>	<u>Shares</u>	<u>Baht</u>
<u>Basic Earnings per share</u>			
Net profit available to ordinary shareholders	55,202	101,566,364	0.54
<u>Effect of assumed conversion</u>			
Warrants	-	2,239,089	
<u>Diluted earnings per share</u>			
Net profit available to ordinary shareholders plus assumed conversion	<u>55,202</u>	<u>103,805,453</u>	0.53

	For the nine-month period ended September 30, 2006		
	Net profit	Number of shares	Earnings per shares
	<u>Thousand Baht</u>	<u>Shares</u>	<u>Baht</u>
<u>Basic Earnings per share</u>			
Net profit available to ordinary shareholders	108,035	100,637,705	1.07
<u>Effect of assumed conversion</u>			
Warrants	-	2,945,828	
<u>Diluted earnings per share</u>			
Net profit available to ordinary shareholders plus assumed conversion	<u>108,035</u>	<u>103,583,533</u>	1.04

**22. FINANCIAL STATEMENTS APPROVAL**

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

