

รายงานประจำปี 2551

Message from Chairman

***“The company realise circumstance we are facing
and try to be well-prepared in terms of investment with cautiousness.
We believes in the ability of our team and we do keep on developing constantly”***

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In the Year 2008, the economic situation of Thailand was under uncertainty due to many changing factors. Moreover, the global economy was heading to the toughest time which hadn't been experienced before. Neither economic theories nor financial principles have been found to be not so useful, together with the unfair trade, lack of good governance, and the selfishness of humanity especially to the nature have enhanced the problem. It is inevitable to deny our responsibility either directly or indirectly, so I would like to bless everyone with courage to overcome all obstacles and trying to minimise carelessness.



Eason Paint Plc. Management realise circumstance we are facing and try to be well-prepared in terms of investment with cautiousness.

The company believes in the ability of our team and we do keep on developing constantly, simultaneously we emphasise on the Corporate Social Responsibility with the participation and dedication to the goodness of both environmental and society.

Despite, all the fluctuation in the past year our growth ability has been shown continuously with the impressive performance. I would like to assure you that we will continue conducting our business under good governance and corporate social responsibility for the sustainable growth.

I would like to show my gratitude to directors, executives, and all team members for their dedication and cooperation for making an international standard be achieved by Thai entity. As well as, thankfulness to all customers including long fruitful partnership given from BASF, Origin Electric, INX Inc. USA, Watson Standard and Miki for being so supportive both technologically and strategically. Also, my gratitude to all shareholders for the continued support needed for the prosperity of the company.

Board of Directors

Mr. Sanan Eksangkul • Age 53

Position	Chairman of the Board of Directors • Chief Executive Officer • Authorized Director
Education	Certificate of Director Accreditation Program • Mini MBA Thammasat University
Experience	1996 – 1997 Advisor to the Deputy Minister of Labor • 2002 – 2005 Advisor to Chairman of the House of Representatives
Share holding	Ordinary shares 922,000 Shares • ESOP 88,000 Units



Ms. Petcharat Eksangkul • Age 52

Position	Director • Executive Director • Authorized Director
Education	Certificate of Director Accreditation Program • Bachelor of Science Chulalongkorn University • XMBA Thammasat University
Experience	Honorable Chairman of Chemical Industry Club, The Federation of Thai Industries • Chairman of Thai Paint Manufacturer Association • Present Managing Director, N.O.F. (Thailand) Co., Ltd. • 2006 - Present Academic Advisor to Faculty of Science, Chulalongkorn University
Share holding	Ordinary shares 4,944,000 Shares : ESOP 80,000 Units : RO 600,000 Units Spouse : Ordinary shares 560,000 Shares : RO 280,000 Units



Mr. Sanit Eksangkul • Age 50

Position	Director • Executive Director • Authorized Director
Education	Certificate of Director Accreditation Program • BBA Ramkhamhaeng University
Experience	1982 – 2006 Director, Inkote (Thailand) Co., Ltd. • 1978 – 2006 Director, Eksang (1978) Co., Ltd. • Director, Origin Eason Paint Co. Ltd. • Secretariat, Bordindecha School Alumni Association
Share holding	Ordinary shares 470,000 Shares : ESOP 80,000 Units : RO 1,320,000 Unit



Board of Directors



Mr. Wichai Eksangkul • Age 45

Position	Director • Executive Director • Authorized Director
Education	Certificate of Director Accreditation Program • Bachelor of Science Kasetsart University • Master of Science Kasetsart University
Experience	2003 – 2006 Director, Eksang (1978) Co., Ltd. • 1985 – 1988 Freelance Professor, Chemical Department, Kasetsart University
Share Holding	Ordinary shares 4,720,000 Shares : ESOP 80,000 Units : RO 800,000 Units Spouse : Ordinary shares 27,470 Shares : ESOP 41,208 Units



Ms. Sirinun Eksangkul • Age 44

Position	Director • Executive Director • Authorized Director
Education	Certificate of Director Accreditation Program • Mini MBA Kasetsart University
Experience	2004 – Present Director, Eksang Holdings Co., Ltd. • 2003 – 2006 Director, Eksang (1978) Co., Ltd.
Share Holding	Ordinary shares 4,720,000 Shares : ESOP 80,000 Units : RO 800,000 Units



Mrs. Pismai Boonyakiat • Age 63

Position	Independent Director • Chairman of Audit Committee
Education	Certificate of Director Accreditation Program • Master of Commerce Thammasat University • Certificate of Marketing Management, International Labour Organization (ILO), Italy
Experience	2005 – Present Chairman of Audit Committee D-con Public Company Limited • 2000 – Present Chairman of New wave Institute and Consultant • 1999 – 2000 Director of Internal audit office, Bio File Co., Ltd.
Share Holding	ESOP 88,000 Units

Mr. Vitien Nildum • Age 66

Position Independent Director • Audit Committee

Education Certificate of Director Accreditation Program • Mini MBA
Thammasat University

Experience 2004 – Present Vice-Chairman, The Council of Scientist and
Technology of Thailand • 2002 – Present Advisor to Printing industry
club, The Federation of Thai Industries

Share Holding Ordinary shares 120,000 Shares : ESOP 80,000 Units



Mr. Jane Wong-isariyakul • Age 55

Position Independent Director • Audit Committee

Education Certificate of Director Accreditation Program • MBA
Thammasat University

Experience 1983 – Present Chairman, Winner Group Enterprise Co., Ltd. • 2004 –
Present Director Spa Ovation Co., Ltd. • Present, Advisor to
Chulalongkorn University Science Alumni

Share Holding ESOP 80,000 Units



Ms. Thipawan Uthaisang • Age 50

Position Independent Director • Audit Committee

Education Certificate of Director Accreditation Program • XMBA
Thammasat University

Experience 1986 – Present Audit Committee P.A.E. (Thailand) Public Company
Limited • Present, Managing Director Papermate (Thailand) Co., Ltd.
Managing Director IEC Internet Co., Ltd.
2005 President, International Engineering Public Company Limited

Share Holding Ordinary shares 120,000 Shares : ESOP 80,000 Units



Management Team



Mr. Sanan Eksangkul
Chief Executive Officer



Ms. Petcharat Eksangkul
Managing Director



Mr. Sanit Eksangkul
Deputy Managing Director



Mr. Wichai Eksangkul
Deputy Managing Director



Mr. Mum Annoppong
Deputy Managing Director

Management Team



Ms. Suda Siriprayoonsak

Production Manager



Ms. Siriporn Choochird

Research and Development Manager



Mrs. Sawangjit Laoharojchanapan

Accounting and Administration Manager



Mrs. Wilaivan Mitrapanon

Purchasing Manager



Mr. Sompoch Jaroenlap

Human Resource Management Manager



Ms. Phanphimon Boonyapinyo

Financial Manager

Company

Company's name	:	Eason Paint Public Company Limited
Business	:	Manufacturing and distributing industrial paints such as motorcycle coatings, offset ink, packaging coatings, and other industrial paints.
HO and factory addresses	:	7/1-2 Moo 1, Panthong, Panthong, Chonburi 20160
Telephone (HO)	:	0-3845-1833
Fax (HO)	:	0-3845-1825
Branch office address	:	312, 402/3-6 Soi Phaholyothin 32, Chankasem, Chatuchak, Bangkok 10900
Telephone (branch office)	:	0-2941-6931
Fax (branch office)	:	0-2941-2930
Company's registration number	:	0107574800111
Website	:	www.easonpaint.co.th

Subsidiaries and joint venture companies**N.O.F. (Thailand) Limited ("NTL")**

Business	:	Distributing motorcycle coatings. (Dispose the business to BASF Thailand Limited on January 1 st , 2009)
Address	:	312 Soi Phaholyothin 32, Chankasem, Chatuchak, Bangkok 10900
Tel.	:	0-2579-7100
Fax.	:	0-2579-7108

Eason Watson Coating Limited ("EWC")

Business	:	Distributing packaging coatings
Address	:	402/3 Soi Phaholyothin 32, Chankasem, Chatuchak, Bangkok 10900
Tel.	:	0-2942-9688 - 9
Fax.	:	0-2941-6930

Eason Urai Paint Company Limited (“EUP”)

Business : Manufacturing and distributing motorcycle paint and other
Industrial paints
Address : Lot 76, 77 Noi Bai Industrial park, Soc Son district, Hanoi,
Vietnam

Origin Eason Paint Company Limited (“OEP”)

Business : Manufacturing and distributing plastic paint and raw material
Address : 312 Soi Phaholyothin 32, Chankasem, Chatuchak
Bangkok 10900
Tel. : 0-2941-7567 - 8
Fax : 0-2579-8043

References**Thailand Securities Depository Company Limited – Registrar**

Address : 62 Ratchadaphisek Road, Klongtoey, Bangkok 10110
Tel. : 0-2229-2800, 0-2654-5599
Fax. : 0-2359-1262-3

Thamniti Auditing Company Limited - Auditing Company

Address : 267/1 Pracharat No.1st, Bangsue, Bangkok 10800
Tel. : 0-2587-8080
Fax. : 0-2586-0301

Summary of company

ข้อมูลสำคัญทางการเงิน	ปี 2549	ปี 2550	ปี 2551	ปี 2549	ปี 2550	ปี 2551
Financial Highlight	2006	2007	2008	2006	2007	2008
หน่วย/Unit	ล้านบาท/M.Bt	ล้านบาท/M.Bt	ล้านบาท/M.Bt	%	%	%
สินทรัพย์หมุนเวียน Current assets	369.99	393.31	367.83	64.5%	59.4%	52.0%
สินทรัพย์ไม่หมุนเวียน Non-current assets	203.58	269.27	339.43	35.5%	40.6%	48.0%
สินทรัพย์รวม Total assets	573.57	662.58	707.26	100.0%	100.0%	100.0%
หนี้สินหมุนเวียน Current liabilities	152.28	229.82	240.45	26.5%	34.7%	34.0%
หนี้สินไม่หมุนเวียน Long term liabilities	-	0.60	21.01	0.0%	0.1%	3.0%
หนี้สินรวม Total liabilities	152.28	230.42	261.46	26.5%	34.8%	37.0%
ทุนจดทะเบียน Registered capital	307.00	307.00	307.00	53.5%	46.3%	43.4%
ทุนจดทะเบียนชำระแล้ว Paid-up share capital	200.00	201.21	204.36	34.9%	30.4%	28.9%
ส่วนของผู้ถือหุ้น Total shareholder's equity	421.29	432.16	445.80	73.5%	65.2%	63.0%

อัตราส่วนทางการเงิน	หน่วย	ปี 2549	ปี 2550	ปี 2551
		2006	2007	2008
อัตราส่วนสภาพคล่อง	(เท่า)			
Current ratio	times	2.43	1.71	1.53
ระยะเวลาเก็บหนี้เฉลี่ย	(วัน)			
Average collection period	days	74.23	75.84	71.38
ระยะเวลาขายสินค้าเฉลี่ย	(วัน)			
Average sale period	days	97.56	109.67	123.54
ระยะเวลาชำระหนี้	(วัน)			
Average payment period	days	88.89	103.50	105.03
รอบเงินสด	(วัน)			
Cash Cycle	days	82.90	82.01	89.89
อัตราส่วนกำไรขั้นต้น				
Gross profit margin	(%)	0.32	0.31	0.30
อัตรากำไรจากการดำเนินงาน				
Operating profit margin	(%)	0.12	0.10	0.05
อัตรากำไรสุทธิ				
Net profit margin	(%)	0.09	0.08	0.07
อัตราผลตอบแทนผู้ถือหุ้น				
Return on equity	(%)	0.14	0.13	0.11
อัตราผลตอบแทนจากสินทรัพย์				
Return on assets	(%)	0.10	0.09	0.07
อัตราส่วนหนี้สินต่อส่วนของผู้ถือหุ้น	(เท่า)			
Debt to equity	times	0.36	0.53	0.59
อัตราการจ่ายเงินปันผล				
Dividen yield payment	(%)	0.82	0.83	0.58

Summary of Significant Operating Results and Performance in the Year 2008

- ❖ The Company commenced the manufacture of 2 piece can printing ink by application of the technology of INX International Ink Co. of the United States of America. It was the first ever Company in Thailand to manufacture and distribute the 2 piece can printing ink of high universal quality standard for distribution to packaging manufacturers including export to ASEAN. Moreover The Company has developed UV Coating for Laminate tube and DRD food can also specialize product which can be used with Engineering Plastic (New technology to replace Aluminium) and new product for Gasohol E20 resistance.
- ❖ In August 2008, Company cash flow from operating of the first 6 months of 2008 and dividend from subsidiary company is 52.07 million baht, also the company has no long term loan to be settled, and therefore the Board

of Director has approved the Treasury Stock Program (Repurchase of Company's Shares) for Financial Management purpose. The amount for the program shall not exceed 44.98 million baht and the number of shares to be repurchased shall not exceed 10% of the total Paid-up Capital as of July 9, 2008, and the repurchase period will be August 28, 2008 to February 28, 2009. As of December 31, 2008, the cumulative number of shares repurchased is 16,487,100 shares in the amount of 33.03 million baht.

- ❖ In December 2008, the company has been entered into business agreements with BASF (Thai) Ltd. ("BTL"), for having rights to manufacture motorcycle coating products. BASF Coatings AG (Germany) has expanded its coatings business in ASEAN, with Thailand at the centre, to serve the coating market in the region for motorcycle.

Moreover, the company has increased the investment proportion in NOF (Thailand) Ltd. ("NTL"), the subsidiary company, by the purchase of ordinary shares from BASF Coatings Japan Limited ("BCJ") who is holding 8,000 shares (or 40% of NTL's paid up capital). Total value is 17.48 million baht, which is accounted for the total of 18,196 shares or 90.98% of the paid-up capital of NTL.

Including, the entering into disposal agreement of NTL's customer database and marketing in the amount of 49.65 million baht, and working capital which is NTL's assets to BASF in the amount of 10.07 million baht at book value as of December 31, 2008. The company will have an opportunity to manufacture other industrial paints to serve the market in ASEAN under know-how of BASF, which will effective from January 1, 2009 onward.

- ❖ The Company earned gross income of 706.8 million baht, which was proportion of automotive paint from total revenue in 2007 and 2008, is 77.5% and 68.2% respectively as well as the income proportion of other industrial paints from total revenue in 2007 and 2008 is 21.9% and 27.0% respectively.
- ❖ At December 31, 2008 the Company has paid-up capital as the amount of 204,358,156 shares 1baht at par value and existing warrant remained amount of 102,641,832 units divided by warrant for existing shareholders 99,141,988 units and warrant for directors, executives (who are not the directors of the company) employee and consultant as 3,499,844 units

Nature of business

The founder of the Company is Mr. Ko Eksangkul whose experiences and vision in paint industry played an important part in the growth of the company many years later. During the year 1965, the Company first established and registered in the name “Eason Paint Products Co., Ltd.”, producing a type of paints used mainly in painting buildings.

Later in the year 1982, the Company increased authorized capital to 7.5 million baht to expand business into industrial paints segment. At the time, the Company became a manufacturer and distributor of industrial paints, and engaging in hire-production of other related products ie. packaging coatings, offset ink, and etc.

In the year 1989, the Company was renamed to Eason Paint Products Company Limited. Then, in October 2005 the Company was registered as a public company, listed in SET and renamed again to Eason Paint Public Company Limited.

November 2006, Extraordinary meeting has passed the resolution to increase registered capital for an additional amount of baht 107,000,000 from the current register capital is 200,000,000 bath to be 307,000,000 baht by issuing 107,000,000 new ordinary shares at the par value of Baht 1 per share. Offering 100,000,000 warrants to the existing shareholders which is valid within 4 years and 7,000,000 new ordinary shares are reserved for the exercise of warrants by the directors, executives (who are not the directors of the company), employees and company’s consultant which warrant period is within 3 years.

The business of the company is production and distribution of industrial paints including motorcycle coatings, plastic coatings, packaging coatings and offset ink. Our customers mainly are paint users who request customized products; they are known in the name of OEM (Original Equipment Manufacturer). The Company produces motorcycle coatings and plastic coatings with know-how purchased from the right holder and distributing through the network of distributors. To produce paint for packaging coatings and offset ink, the Company has developed in-house technology through R&D and experiences the Company accumulated over the years. These product lines are branded as the company-owned such as EASON, Nok Insi and Nok Bin Khu.

Businesses of the subsidiaries and joint venture companies.**❖ NOF (Thailand) Ltd. (“NTL”)**

The Company has a stake in NTL for 50.98% of the total shares with BASF Coatings Japan's and Miki's holding 40% and 9% respectively. BASF Coatings Japan; the license holder of know-how of motorcycle coatings the Company is currently using, is a leading distributor of motorcycle coatings in Japan and acquires a largest market share (70% in 2007) also distribute in Europe. Miki (Japan) has been a distributor of chemical materials for more than 300 years, establishing wide network of business partnership and clients. The Company is the only supplier of motorcycle coatings by know – how from BASF Coatings Japan license to NTL who further distributes the products to the industrial end users. NTL's products are widely accepted among the clients for their high quality and acquires largest market share in motorcycle paint Thailand market.

The main purpose of establishing business partnership with BASF Coatings Japan is to maintain the market share of motorcycle coatings segment and to secure the access to the specialized raw materials needed for production of BASF-know-how paint. Miki (Japan) is holding shares of NTL but not participating in management and marketing activities.

In December 2008, the Company has increased investment proportion in NTL by purchased ordinary shares from BCJ which holding 40% of NTL's shares or 17.48 million baht. As its result, the Company totally holds 90.98% of NTL's paid up capital and endorse asset disposal agreement to BASF Thailand Limited (“BTL”) such customer and marketing database with the value as 49.65 million baht and working capital at the book value price dated on December 31, 2008 at the value 10.07 million baht for the opportunity to manufacture other industrial paints under BTL technology for industrial paint and distributed in ASEAN which will be effective on January 1, 2009 onward.

❖ Eason Watson Coating Co., Ltd. (“EWC”)

The Company is holding 50.95 % of total shares, while Watson Standard Asia Inc and other Thai shareholders is holding 49% and 0.5 % respectively. Watson Standard Asia Inc is the license holder of Know-How of packaging coating which is subsidiary company of Watson Standard Co. USA and has more over 100 years experiences in packaging coating and continuing development friendly environmental coating to get ready for global warming situation which their customers are base in America, Europe and Australia. The Company is the sole manufacturer for packaging coating to EWC under the company's Know-How and Watson Standard's Know – How technology. In 2008, The company growth the market in ASIA regional such Vietnam, Philippines, Singapore, Indonesia, India also Australia continent. Moreover, the Company's products have been approved for FDA regulation from the leading institute both local and international such Dr. Neighring Institute therefore the Company's product is widely accepted by customers.

❖ Eason Urai Paint Co., Ltd. (“EUP”)

The Company is holding 62 % of total shares with Urai Panich Co.,Ltd, who has long experience in manufacture and distributor architecture paint in Thailand more than 30 years and under Urai Panich group in Vietnam, Lao, Cambodia and Myanmar, is holding 30 % and other Thai shareholders 8 % of total shareholders. EUP was established on November 2007 and aim to be the manufacturer and distributor motorcycle paint and others industrial

paints in Vietnam which locate on Noi Bai Industrial park, Soc Son district, Hanoi City to increasing production base and business expansion to international market also growing income proportion and risk extension in the future

The Company plan to construct a factory and start operation within 2008, but due the economic crisis which impact any business over the world, the board of company has reviewed the action plan and found that construction material cost will be decreased together with the company is entering to business agreement with BASF, therefore the Company made decision to postpone the project which would reduce the construction cost, and suppose to start the construction in the end of the first quarter and will be completed within the third quarter of 2009

❖ **Origin Eason Paint Co., Ltd. (“OEP”) (Formerly is Origin Miki (Thailand) Co., Ltd. : OMT)**

The Company is holding only 39.8% of total sares, while Origin, the leaders in research and development of plastic coatings for automobile parts, electrical appliances, and telecommunication devices is holding 44.8% of total shares and Miki (Thailand), a distributor of chemical products with large client base in Thailand and Japan for many years is holding 15%. OEP manufacture industrial paint under Origin’s Know-How from purchase order and raw material supplied from Miki (Thailand). Then Miki (Thailand) distribute product all clients in Miki (Thailand)’s client base.

January 2008, The Company has acquired ordinary shares from Origin Miki (Thailand) Co., Ltd. to increase the proportion and purchase ordinary shares to increase investment proportion from Miki (Thailand) therefore the current proportion of the Company is increased from 9.8 to be 39.8 %. OMT have renamed to be Origin Eason Paint Company Limited (“OEP”). The company sale the machinery, tools, equipment, raw material, works in the course of production and goods used in the plastic coatings production line to OEP, therefore OEP will be the manufacturer and distributor for flexible business operation, decrease redundant work and operation cost also enlarge plastic coating market with more competitive prices

Summary of the Company’s products and licenses

Products	License’s owner	Details	Brand
Motorcycle coatings	BASF	The Company purchases all know-how to produce motorcycle coatings from BASF Coatings Japan. License fee is calculated based on total sale to NTL as specified in the contract.	“NOF”
Plastic coatings	Origin	The Company has joined business with Origin and Miki (Thailand) to establish OEP to manufacture paint under Origin’s know-how without license fee.	“Origin, Eason”

Packaging coatings	the Company	The Company manufacture product by owned Know – how and Watson Standard's Know – how including Know – how which is developed by together then EWC distributes directly to end users	“Eason”
Offset ink for metal and paper application	the Company	Know-how is developed and owned by the Company. The Company distributes directly to its users.	“Nok Bin Khu”
Special offset ink	INX	The Company is the sole manufacturer and distributor of UV ink of INX.	“INX”
Boat paints	BASF	No fee charged for production technology.	“NOF”
Shipping container paints	Mitsui	At present, the purchase contract for know-how is expired.	“Mitsui”
Train paints	the Company	Know-how is in-house developed.	“Eason”
Powder paints	Kawakami	At present, the purchase contract for know-how is expired.	“Kawakami”
Water and oil paints	the Company	Know-how is in-house developed.	“Eason” “Nok Insi”

Structure of revenue by product category

The Company's structure of revenue of the year 2006 – 2008 as classified by product category is illustrated in the below table.

Income Statement (Unit : Million Baht)	2006	%	2007	%	2008	%
Revenues						
Sales	651.31	98.1%	694.03	99.4%	672.37	95.1%
Automotive	504.80	76.0%	541.19	77.5%	481.81	68.2%
Other Industrial Paint	146.51	22.1%	152.84	21.9%	190.57	27.0%
Service	1.89	0.3%	-	0.0%	-	0.0%
Gain on sale of fixed assets	1.01	0.2%	-	0.0%	-	0.0%
Gain on exchange rate	0.88	0.1%	-	0.0%	-	0.0%
Share of net profit from investment in JV company	-	0.0%	-	0.0%	14.07	2.0%
Other incomes	8.89	1.3%	4.42	0.6%	20.31	2.9%
TOTAL REVENUES	663.98	100.0%	698.45	100.0%	706.76	100.0%

Risk factor

Risks concurring from dependency toward know-how of the distributor and current customer base of the business partners

The Company produces motorcycle coatings with know-how of BASF Coating Japan and distributes the products through NTL (a subsidiary) to OEM manufacturer. In the year 2007 and 2008, the Company's proportion of revenue from selling products through distributors were 45.2% and 57.7% of the total revenue, respectively. A large part of revenue generated from selling industrial paints belongs to the production of paints with know-how of BASF Coatings Japan. Furthermore, raw materials for production based on such know-how can only be obtained through particular chemicals suppliers accepted by know-how owner. Thus, provided that BASF Coatings Japan is interested to invest in paint industrial or the Company is not able to sell products to the existing client base of the partner companies, the Company's operation and business performance will be significantly affected.

Even though paint is produced with know-how of world famous companies, some adjustment with regard to formula or application of the know-how is needed due to environmental differences of the countries. As a result, the Company has to further invest in research, development and staff to come up with the exact formula suitable for Thailand. Thai personnel are needed for technical support, after-sale service and marketing activities since they have a better understanding of clients' demand and equip with years of experience in paint industry such the Company is able to recommend for paint application under higher humidity than Japan besides, The Company expand company's customer base which can see from distribution proportion of our distributor was decreased in 2008 while direct distribution proportion from the company was increased.

Risk related to price fluctuation of raw materials

Chemicals are the major raw materials of paint production, such as pigments, resin, and solvent. Most raw materials, particularly pigments and resin, have to be imported or purchased through the chemicals distributors. Consequently, the Company's purchase of raw materials involves foreign currency. In the year 2007 and 2008, the Company's percentage of raw material purchases through importer or distributors are 87.27% and 82.74 of the total raw

material purchases respectively and the percentage of raw materials imported by the Company are 12.73 and 17.26 % of the total purchases respectively. This practice makes the Company vulnerable to the foreign currency exchange fluctuation. In addition, prices of some chemicals vary with oil price. This means an increase of price of chemical raw materials will significantly affect the Company's cost of products and the overall performance.

However, financial institution has approved credit line for the Company to apply with Forward Contract which is sufficient to the value of raw material for each order. Besides the Company also has production plan which consistence with customer's production plan for ordering the major raw material from supplier to ensure that raw material will be efficient to manufacture for each purchase order by place raw material order in advance 1 – 3 months and reserved for 3 month. The Company has policy to adjust selling price upon the fluctuation of the cost even the Company is unable to adjust price immediately but most of products have life-cycle in short period therefore the Company is able to adjust or decide new price base on actual cost to maintain profit also monitoring global market price situation to manage overhead cost and reduce risk from the fluctuation of raw material cost, so that the Company can manage gross margin.

Risk related to the limited numbers of raw material supplier

To produce motorcycle coating, packaging coating and printing ink, the Company is supplied the related raw materials by 3 Thailand-based distributors. As mentioned earlier, these raw materials are specifically and strongly recommended by know-how owners. At December 31st, 2008 the Company had 3 major account payable as of 39.15% of the total value of account payable. As a result, it makes the Company vulnerable to the suppliers' decision if they stop to delivery raw material or unable to deliver as schedule.

However, the Company has made the agreement with the supplier of chemicals used for a production of motorcycle coatings and established business relationship with this supplier for a long period of time. This can ensure consistency of raw material supplied at some degree. In the worse case of their inability to supply at all or to supply on time, the Company can order and import the chemicals from business partner or know-how owner to manufacture and punctually distribute to the customer which unfortunately, will drive up the cost of production.

Risk related to a growth of automotive industry

Majority of the Company's revenue is from selling automotive paint. In the year 2007 and 2008, the Company's revenue from selling these products accounted for 77.48% and 68.20% of the total revenue respectively, increasing along with expansion of automotive industry. Even oil price situation was gradually increased since middle of 2008 and effected to the expansion of automotive industry which was reduced but motorcycle consumption will be increased due to consumer behavior is changed to use motorcycle to be their vehicle rather than car.

However even automotive industry will be reduces in 2009 but customers are reluctant to change brand of paints they currently use due to high cost of switching brand. Cost of paints is very low if compared with cost of a car. Thus, despite of the lower price of a new brand, the customers are willing to stick with the current brand and the current supplier. Therefore customers, who currently use paint from BASF Coating Japan, will continue using paint from BASF

Coating Japan. Besides the Company has focus more on manufacture and distribute other industrial paint apart from automotive industry such packaging coating and printing ink also develop the Company's own brand and know-how which R&D department has studied and developed for many years to enlarge Company's customer base.

Risk related to a change of technology

Majority of the Company's customers are manufacturers and engage in an on-going industry. The Company always keeps product quality to match with the standards or requirements set by the customers. For instance, if a customer gives importance to providing environmental-friendly product, the Company's product sold to that customer has to be environmentally safe as well. Thus if the customer changes production lines or technology in a large scale ie. changing from metal to paper, reduction of thinner content, changing to water-based formula, the Company has to either adjust its technology to go with the customer's or loses business.

However, the customers' nature of business cannot allow frequent changes of production line or technology in a large scale due to high cost. In addition, the Company usually joins in production planning with most customers in order to best meet their demand. The advantage of joint planning is that the Company is able to monitor and evaluate if there will be any major change at the customers' production line, in particular the technology in the future. This can lower the risk of technology change that the Company bears for a certain extent.

Risk related to having major shareholders who own more than 50% of issued shares

At December 23, 2008, Eksangkul group who are presently in control of management of the Company is holding 59.39% of the total paid-up capital of the Company, meaning that this group of shareholders can take control of the resolution of shareholders' meeting regarding the important issues such as an appointment of directors, and any other issues which require majority vote of shareholders, with one exception where, according to the applicable law and the Company's regulation, the resolution requires at least three-fourth of all shareholders who attend the meeting. Thus, other shareholders are not able to cast enough vote to request such actions as checking and monitoring, and not able to veto any proposal of major shareholders at all.

Shareholding and Management Structure

The Company's securities

As of December 31, 2208, the Company has registered capital at the value of 307 million baht; dividend into ordinary shares amount 307,000,000 shares at par value of 1 baht; paid-up capital as the amount of 204,358,156 baht by ordinary shares and paid-up capital as amount of 204,358,156 shares and existing warrant remained amount of 102,641,832 units divided by warrant for existing shareholders 99,141,988 units and warrant for directors, executives (who are not the directors of the company) employee and consultant remained as of 3,499,844 units

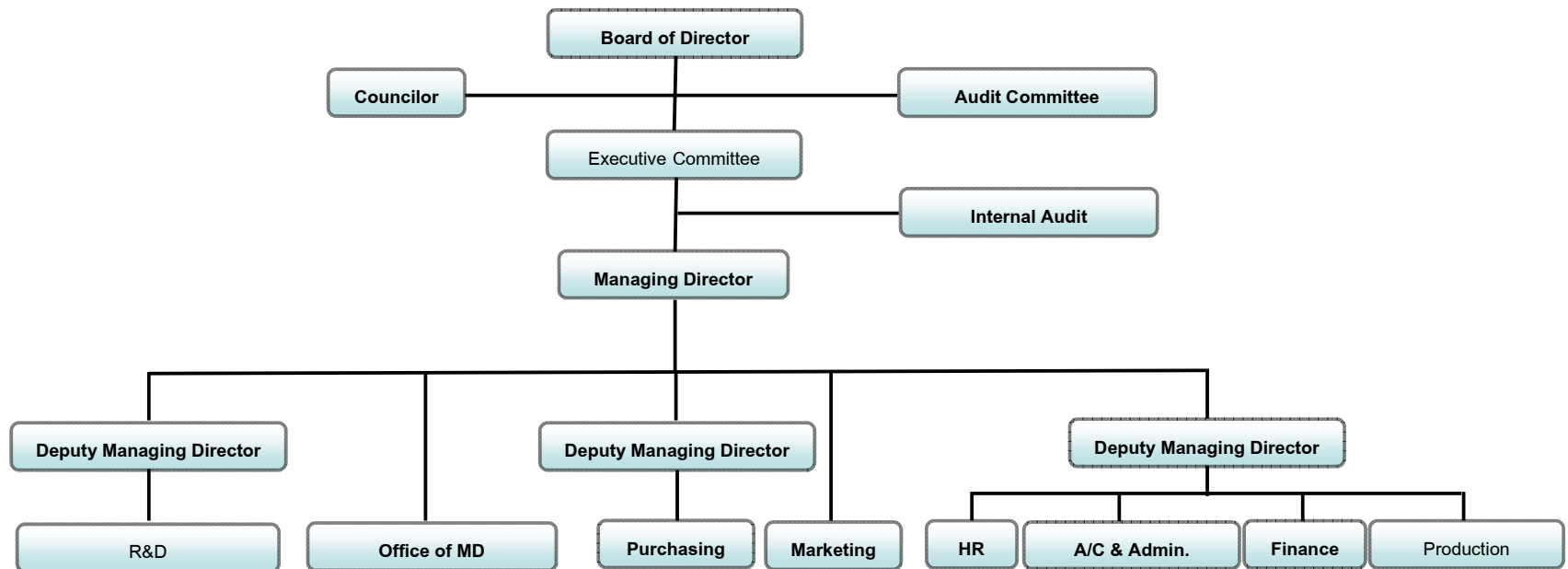
Major shareholder as of December 23, 2008

Item	Shareholder's Name	The number of shares	Percentage
1	Eksang Holding Co., Ltd. and Eksangkul Group	121,357,571	59.39
2	Thailand Securities Depository Co., Ltd. (for issuer)	15,782,500	7.72
3	Anantawachkorn Group	8,993,600	4.40
4	Dej-amornthan Group	6,314,300	3.09
5	Mr. Thongchai Methakijtrakoon	5,000,000	2.45
6	Chattrakoonphong Group	4,274,233	2.09
7	Ms. Chanya Mangklakiri	4,172,300	2.04
8	Mr. Amorn Tangton	3,708,900	1.82
9	Ms. Benjawan Athikompojn	3,194,000	1.56
10	Mr. Sakon Laosuwan	2,953,400	1.45
11	Ms. Suthasinee Laksana	2,572,200	1.26
12	Mr. Precha Sa-Lee	2,571,500	1.25
13	Other shareholders	23,463,652	11.48
Total		204,358,156	100.00%

Dividend Policy

The dividend of the company and the subsidiaries will be paid at the rate of 40%, or higher, of the net profit after tax deduction and after a certain amount of fund is reserved in accordance with the law. The dividend will be paid regularly unless it is considered that paying the dividend might affect the operation of the Company and the subsidiaries significantly, and the necessity to use fund occurs. Regarding a decision concerning paying dividend, the Company and the subsidiaries take the following factors into consideration: the Company's and subsidiaries' performance, cash flow status, business expansion, and other factors related to management of the Company and subsidiaries. The decision of paying dividend has to be approved by shareholders and/or Board of Directors.

Structure of management as of December 31, 2008



Remark: The company hires Well Planning Solution Co., Ltd. as the Internal Audit

Board of Directors

The Company has 3 directorate groups: Board of Directors, Executive Committee, and Audit Committee. Names of directors of each group, including scope of duties and authorization are as follows:

1) Board of Directors

As of 31 December 2008, 9 directors sitting in the Board of Directors are as follows.

Name		Position
1	Mr. Sanan Eksangkul	Chairman of the Board of Directors
2	Mr. Sanit Eksangkul	Director
3	Miss Petcharat Eksangkul	Director
4	Mr. Wichai Eksangkul	Director
5	Miss Sirinan Eksangkul	Director
6	Mrs. Pismai Boonyakiat	Chairman of Audit Committee/Independent Director
7	Mr. Vitien Nildum	Audit Director/ Independent Director
8	Mr. Jane Wongissariyakul	Audit Director/ Independent Director
9	Miss Thipawan Uthaisang	Audit Director/ Independent Director

Authorized Directors

Two out of the following five authorized directors; Mr. Sanit Eksangkul, Miss Petcharat Eksangkul, Mr. Sanan Eksangkul, Mr. Wichai Eksangkul, and Miss Sirinan Eksangkul are approved to co-sign any documents with a company seal.

Scope of duties and authorization of Board of Directors

The directors have duties, authorization, and responsibility to manage the Company in accordance with the law, Company's objectives and regulations, and the resolution agreed upon in the meeting of shareholders, whereas all actions have to be taken with honesty, integrity, and vigilance toward shareholders' benefits. Parts of important duties, authorization, and responsibility of the directors are itemized as follows:

1. To ensure an annual ordinary meeting of shareholders is held within 4 months after the end of an accounting period
2. To ensure a Board of Directors meeting is held every 3 months at least.
3. To ensure that the Company's financial statements including a balance sheet, and profit/loss statement are generated at the end of accounting period, whereas the auditors have checked and approved these statement which will, later, be submitted in the meeting of shareholders for further consideration and approval.

4. Board of Directors can authorize one or more directors or other person to perform certain duties for and under a control of the Board of Directors in such a way that this person will complete the assigned duties within a period of time agreed upon by the Board of Directors. Board of Directors may change the authorized person or revoke the authorization if appropriate.

Board of Directors may authorize Executive Committee to perform duties whereas details of scope of duties, responsibility and authorization have to be specified and such authorization must not allow Executive Committee to have a right to approve any activities where there is a conflict of interest between the Company or subsidiaries (as defined in the announcement of Securities and Exchange Commission, Thailand (SEC)) and Executive Committee, with the exception when such activities follow the policy and a decision of a meeting of shareholders, or when such activities are approved by Board of Directors, or when such activities are the regular business operation with a predetermined scope.

5. To establish a goal, guidelines, policies, work plan, and a budget of the Company, including to control and to oversee the management of Executive Committee to ensure all works are accomplished according to the assigned policy. Board of Directors needs to get approval from shareholders' meeting to perform the following activities: the activities enforced by the law to obtain a resolution from shareholders' meeting ie. increasing/decreasing capital, issuing bonds, selling or transferring a part or a whole of the Company to other parties, buying or acquiring any other companies, and amending requirement or any parts in memorandum of association.

In addition, Board of Directors has a duty to ensure that all Company's operation and activities abided by the law concerning securities and public trading and the regulation of securities market. For instance, any related-party transactions, buying or selling significant assets of the Company as specified in the rules of SET or the law governing the Company's business.

6. To consider the Company's management structure and to appoint an Executive Committee, a president of Executive Committee, and other committee as appropriate.

7. To follow up the operation to make sure that it complies with the work plan and a budget.

8. Directors shall not own, engage or involve with the following businesses and activities: the business entities with the same business nature as and being a competitor to the Company, being a business partner with or without obligation in the partnerships entities, or being a director of other companies having the same business nature as and being a competitor to the Company, no matter if the business interest is for the directors or for other parties. There is an exception if the resolution of shareholders' meeting approves such actions before appointment.

In the situation where the directors have conflict of interest with any contracts the Company engaging in, or when the directors own more or few shares or bonds of the Company or of the subsidiaries, the directors shall inform the Company without hesitation.

The directors' action concerning assigning duties, responsibility and authorization must not be in a way that allows directors or the appointee to have a right to approve any activities where there is a conflict of interest between the Company or subsidiaries (as defined in the announcement of Securities and Exchange Commission, Thailand (SEC)) and the directors or the appointee, with the exception when such activities follow a policy or a decision of shareholders' meeting, or when such activities are approved by Board of Directors, or when such activities are the regular business operation with a predetermined scope i.e. characteristic of transaction, ceiling of approvable fund.

2) Executive Committee

As of 31 December 2008, the Executive Committee of the Company consisted of 5 persons as follows:

	Name	Position
1	Mr. Sanan Eksangkul	Chairman of Executive Committee
2	Ms. Petcharat Eksangkul	Executive Committee
3	Mr. Sanit Eksangkul	Executive Committee
4	Mr. Wichai Eksangkul	Executive Committee
5	Ms. Sirinan Eksangkul	Executive Committee

Scope of duties and authorization of Executive Committee

Executive Committee has duties, authorization, and responsibility to manage the regular business operation of and to administrate the Company. Executive Committee has to establish policies, business plans, a budget, structure and authorization of management, business procedure and guidelines to operate the business in line with the current economic situation. After completion, this information will be presented to Board of Directors for approval and, later, Executive Committee has a duty to implement and follow up to assure the Company's policies and plans are followed. To summarize, duties and responsibilities of the Executive Committee are listed as follows:

1. To operate and manage the Company's business in accordance with Company's objectives, regulation, policies, standards, requirements, instruction and the resolution of the Board of Directors meeting and/or the shareholders' meeting in every other way.

2. To formulate and to execute policies, direction and strategy of the Company, budget planning, human resources management, investment in information technology, business expansion, public relation, including to control and to oversee that the working teams/committee accomplish the goal as assigned.

3. To review an annual budget allocation as proposed by management departments before submitting to Board of Directors meeting for approval. To make any necessary changes of annual expense budget when the immediate Board of Directors meeting is not possible. These changes have to be reported in the next meeting for the directors' acknowledgement.

4. To authorize expenditures incurring from regular business operation ie. purchase of assets, raw materials, vehicles, and etc. with the ceiling of approvable amount of 30 million baht per item.
5. Be able to authorize expenditures of significant investment as specified in the annual expense budget which was approved earlier by Board of Directors.
6. Be able to authorize borrowing fund, applying for a loan, issuing debt instruments, giving warranty and guarantee for a loan, whereas the ceiling of such funds must not exceed 50 million baht.
7. To act as a consultant to the management departments in the areas of finance, marketing, human resource, and other operations.
8. To designate a structure of organization, administrative power and authorization, including overseeing such activities as appointing, recruiting, rotating employees, determining salary, compensation, and a bonus of employee in management level, and terminating employment.
9. Be able to authorize one or more directors or other persons to perform a particular assignment under a control of Executive Committee, or to assign the person as mentioned to have a certain authorization for a period of time which Executive Committee considers as appropriate. Executive Committee may terminate, make any necessary changes upon appointment of that person(s).
10. Apart from the aforementioned duties, responsibility and authorization, Executive Committee may perform other actions or operations as assigned by Board of Directors.

The Executive Committee's action concerning assigning duties, responsibility and authorization must not be in a way that allows the Executive Committee or the appointee to have a right to approve any activities where there is a conflict of interest between the Company or subsidiaries (as defined in the announcement of Securities and Exchange Commission, Thailand (SEC)) and the Executive Committee or the appointee. Such activities which may cause a conflict of interest have to be presented to Board of Directors' meeting or shareholders' meeting (up to discretion) for consideration and approval in accordance with the regulation of the Company, subsidiaries, or the applicable law. However, there is an exception when such activities are the regular business operation with a predetermined scope i.e. characteristic of transaction, ceiling of approvable fund.

3) Committee of Independent Directors/ Audit Committee

As of 31 December 2008, Audit Committee consisted of 4 persons as follows:

	Name	Position
1	Mrs. Pismai Boonyakiat	Chairman of Audit Committee
2	Mr. Vitien Nildum	Audit Director
3	Mr. Jane Wongissariyakul	Audit Director
4	Ms. Thipawan Uthaisang	Audit Director

Scope of duties and authorization of Committee of Independent Directors/ Audit Committee

The scope of duties and responsibilities of Audit Committee is assigned by Board of Directors. Audit Committee is responsible to perform the following work and to report to Board of Directors.

1. To check/verify that the Company prepares financial documents and statements correctly and the statement contains adequate information needed for public's acknowledgement. To work in cooperation with the external auditors and the executives who are directly responsible to prepare quarterly and annual financial statements. During audit period, Audit directors may suggest external auditors to check or review particular transactions which Audit Directors think is necessary and important.

2. To check/verify by means of working with external auditors and internal auditors (if available) to assure that the financial control mechanism and internal audit system is carried on properly and efficiently.

3. To check/verify that the Company's financial/accounting operations comply with the law concerning securities and SET, SET requirements and other laws applicable to the Company's business.

4. To propose to the directors an appropriate choice of auditing company for approval, including the proposed audit fee. Audit directors needs to consider the following factors when selecting an audit company: audit company's reliability, Company's resources, the amount of work of audit company, and an experience of the external auditors assigned to work with the Company.

5. Whenever there are transactions which are probably the conflict of interest, or being considered as related-party transactions, the Audit Committee shall take actions to correct them.

6. To perform other duties as assigned by Board of Directors and also agreed upon by Audit Committee, for example reviewing policies associated with financial management and risk management, reviewing business ethics as practiced by the executives, reviewing with the executives the information disclosure to the public as required by the law ie. Company's report and analysis performed by the executives.

7. To prepare a report describing activities performed by Audit Committee, which will be re-stated in the Company's annual report. This report is acknowledged and signed by the president of Audit Committee and including the information as follows:

- 7.1 Opinion toward the Company's procedure and practices of disclosing information of financial statement whether it is reliable and prepared properly.
- 7.2 Opinion as whether the Company's existing internal control serves its purpose sufficiently.
- 7.3 Opinion as whether the appointed audit company should be re-appointed to audit the Company next year.
- 7.4 Opinion concerning the Company's practices whether they comply with the law governing securities and securities market, requirements of SET, or the law associated with the Company's business.
- 7.5 Report of information, as within the scope of duties as assigned by Board of Directors, which shareholders and general investors should be informed.

8. To report work progress and findings to Board of Directors once a year minimally.

9. Have an authorization to examine and investigate into any suspicious transactions or activities, including to seek second opinion or consultancy of external parties, if necessary, by using the Company's fund for a purpose of fulfilling responsibility and duties of Audit Committee.

Qualification of Independent Directors/Audit Committee

1. Having a stake in the Company, subsidiaries, joint-venture companies, or other related companies not exceeding 5% of the paid-up shares, whereas including shares hold by other persons related to the Audit Directors.

2. Not participating in management of the Company, subsidiaries, joint-venture companies, or other related companies and not being one of the majority of the Company's shareholders.

Not being the Company's, subsidiaries', joint-venture companies', other related companies', or the majority of shareholders' employee, staff, or a consultant who is on a regular payroll. For instance, the Company's Chief Executive Officer cannot be an Audit Director since Chief Executive Officer is directly responsible to manage and administrate the Company.

3. Do not get any direct or indirect benefits from the operation of the Company, subsidiaries, joint-venture companies, other related companies, or majority of the Company's shareholders.

Do not get any direct or indirect benefits as mentioned above within 1 year prior to being appointed to be an Audit Director. However, there is one exception when, upon Board of Director's consideration, the above circumstance does not effect the ability to perform the duties of Audit Director.

4. Not related to or being the next of kin of the Company's executives or any person in a majority of the Company's shareholders.

5. Not being the representative to safeguard benefits of Board of Directors, a person in, or any related person to a majority of the Company's shareholders.

6. Be able to perform duties, to express opinion, or to report work progress or findings as assigned by the Board of Directors whereas not being under the influence of the Company's executives or the majority of shareholders, including any persons related to or being the next of kin to those aforementioned executives or shareholders.

Independence

1. Independent opinion means the ability to give opinion or report work progress or findings freely without consideration of personal benefits in terms of money and a position in the Company, and the ability to perform work without any influence from any person or a group of persons, whereas such freedom of opinion expression shall not be limited in any circumstances.

2. The example of performing work with a limited independence include such circumstances where Audit Committee is influenced by Board of Directors, executives, other personnel, and etc. due to friendship, respect, or other reasons, and resulting the following incidents:

- 2.1 Purposefully not to perform a particular work as assigned.
- 2.2 Accept an offer to perform wrong actions which adversely affect the Company and shareholders.
- 2.3 Not giving opinions or not reporting to the directors or shareholders straightforward.
- 2.4 Refuse to work cooperatively or to discuss with the directors, executives, or other personnel with whom Audit Directors are performing work.

3. Any transactions/ activities which are considered not affect Audit Directors' ability to perform work and to report findings.

4. Any transactions/ activities between Audit Directors or the related persons and the Company, subsidiaries, joint-venture companies, or the majority of the Company's shareholders concerning selling or acquiring products or services with the following conditions:

- 4.1 When selling or acquiring activities are done on a basis of a normal business operation with commercial conditions as generally accepted in the business and without intention of concealment.
- 4.2 Prices of Products or services should be comparative to those offered to other clients.

5. Any remuneration which Audit Directors or the related persons received from the Company, subsidiaries, joint-venture companies, or the majority of the Company's shareholders is evidently a normal service fee paid to any financial institutions providing auditing service.

6. Any transaction, as being classified a related-party transaction, is performed in accordance with the related requirements of SET, and other requirement as specified by SET.

4. Management Team

As of December 31, 2008, Management Team consisted of 11 persons as follows:

Name		Position
1	Mr. Sanan Eksangkul	Chief Executive Officer
2	Ms. Petcharat Eksangkul	Managing Director
3	Mr. Sanit Eksangkul	Deputy Managing Director
4	Mr. Wichai Eksangkul	Deputy Managing Director
5	Mr. Mum Annonpong	Deputy Managing Director
6	Mrs. Suda Siriprayoonsak	Production Manager
7	Ms. Siriporn Choochird	Research and Development Manager
8	Mrs. Sawangjit Laoharojchanapan	Accounting Manager and Administrative Manager
9	Mrs. Wilaivan Mitrapanon	Purchasing Manager
10	Mr. Sompoch Jaroenlap	Human Resource Manager
11	Ms. Phanphimon Boonyapinyo	Financial Manager

Selection of Board of Directors, Committee of Independent Director/Audit Committee and Executive Committee

The Company has no particular committee that is directly responsible to the selection of directors and executives. The criterion for selection of directors and executive are based on the qualification, education background, experience, and the availability to attend Board of Directors meeting. In the meeting of shareholders, the qualified persons will be voted to become a director based on the majority vote and other requirements as follows:

1. Based on the principle of one share/one vote.
2. In selection of Board of Directors, the practice of casting a vote can be either voting one candidate at one time or many candidates at one time, which is up to discretion of shareholders and each shareholder is entitled to the vote principle as mentioned in 1. and the numbers of shares or votes cannot be split up to more than one candidate.
3. In selection of Board of Directors, the appointment of the director is based on the majority of vote. If the candidates receive equal votes, the chairman of the meeting will be the last vote to decide who will be the appointee.

Scope of duties and authorization of Managing Director

Managing Director has duties, authorization, and responsibility to manage the regular business operation of and to administrate the Company. To summarize, duties and responsibilities of Managing Director are listed as follows:

1. Be responsible to daily business operation and management of the Company.
2. To assure that the operation is practiced in accordance with the policies, work plans, and a budget as approved by the directors and/or Board of Directors.
3. Having authorization to administrate, to manage the Company's operation to be in line with Company's objectives, regulation, policies, standards, requirements, instruction and the resolution of the directors' meeting and/or the shareholders' meeting in every other way.
4. Be able to authorize and/or to assign other persons to perform a particular assignment whereas this authorization has to be within the scope as specified in this copy of document and/or has to follow regulation, requirements, or instruction of Board of Directors and/or to follow the Company's requirement.
5. To Follow-up business operation in order to evaluate the Company's performance on a regular basis so that a proper action will be taken to prevent or to minimize risks associated with external and internal factors.
6. To get involve in any contracts associated with the Company's business or being beneficial to the Company, including to oversee the process of making a contract, to further submit to Executive Committee and/or Board of Directors.
7. Be able to authorize expenditure incurring from normal business operation ie. contact with a bank about saving account, purchase of raw materials not exceeding 10 million baht/item.
8. To get involve in allocation for pension fund, awards, and compensations to employees or the persons who work for the Company, as previously been approved by Board of Directors.
9. Be able to authorize employment, including transferring, rotating across departments/lines/sections, or terminating employment. Be responsible to determine rate of salary, compensation, bonus, and fringe benefits of every employees except those in executive level.
10. Be able to authorize, to issue regulation, announcement, memorandum to assure that the Company's policies are followed, to safeguard the Company's benefits, and to promote work discipline within the organization.
11. To perform other duties as assigned by Board of Directors.

Managing Director' action concerning assigning duties, responsibility and authorization must not be in a way that allows Managing Director or the appointee to have a right to approve any activities where there is a conflict of interest between the Company or subsidiaries (as defined in the announcement of SEC) and the Managing Director or the appointee. Such activities which may cause a conflict of interest have to be presented to Board of Directors meeting or shareholders' meeting (up to discretion) for consideration and approval in accordance with the regulation of the Company, subsidiaries, or the applicable law. However, there is an exception when such activities are the regular business operation with a predetermined scope ie. characteristic of transaction, ceiling of approvable fund.

Remuneration of directors and executives

Monetary Remuneration

1) Total remuneration of the Company's Directors

According to the Annual General Shareholders Meeting 2008 which was held on April 1, 2008, the resolution of the meeting on the issue of remuneration of directors of the Company in 2008 would total up no greater than baht 2.2 million

Remuneration of The Company's directors	Year 2006		Year 2007		Year 2008	
	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)
Meeting allowance	9	510,000.00	9	745,000.00	9	400,000.00
Bonus	9	920,000.00	9	920,000.00	9	920,000.00

2) Amount of remunerations: Directors

Name - Surname	Position	2008 Remuneration	Warrant (Unit)
1. Mr.Sanan Eksangkul	Chairman of Executive Committee	170,000.00	220,000
2. Ms.Petcharat Eksangkul	Executive Committee	125,000.00	200,000
3. Mr.Sanit Eksangkul	Executive Committee	125,000.00	200,000
4. Mr.Wichai Eksangkul	Executive Committee	125,000.00	200,000
5. Ms.Sirinun Eksangkul	Executive Committee	125,000.00	200,000
6. Mrs.Pismai Boonyakiat	Chairman of Audit Committee/ Independent Director	185,000.00	220,000
7. Mr.Vitien Nildum	Audit Director/ Independent Director	150,000.00	200,000
8. Mr.Jane Wongissariyakul	Audit Director/ Independent Director	165,000.00	200,000
9. Ms.Thipawan Uthaisang	Audit Director/ Independent Director	150,000.00	200,000
Total		1,320,000.00	1,840,000

Remark: Warrants have been allotted by the resolution of the Extraordinary Shareholders Meeting 1/2006 to allocate ordinary shares on November 2006

3) Total remuneration for Company's Executives

Remuneration of Executives	Year 2006		Year 2007		Year 2008	
	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)
Salary, bonus and provident fund	11	24,704,751.00	12	22,301,683.00	11	23,049,958.00

Other type of remuneration

Non-monetary remuneration is a 30.3 Sq. meter unit at Waterford Tower which is available to employees who work at the Company's factory in Amphur Panthong to stay during a trip of seminars/trainings or a visit at Bangkok office.

Control of business operation

The Company has developed a strategic policy and a code of best practices for directors of the Company in accordance with Code of Best Practices for Directors of List Company as set up by SET, whereas the Company assures that these policies and a code of best practices are practical. In addition, the Company has applied 15 items of Good Corporate Governance to formulate the Company's policy used in administration, and business operation of the Company to achieve high efficiency and transparency for a purpose of protecting benefits and promoting confidence of shareholders, investors, employees, and other stakeholders. Guidelines developed from Good Corporate Governance and submitted to the committee for further consideration are described as follows:

1. **Policy of management and administration.** Guidelines of this policy are detailed as follows:
 - ❖ Manage with care and perform duties as efficiently as possible for the purpose of the highest benefits of shareholders.
 - ❖ Perform duties with transparency and disclosure to the public, shareholders, and other stakeholders.
 - ❖ Give importance to control and internal audit system. Beware of the Company's risk exposure and manage the risks diligently.
 - ❖ Assure of no conflict of interest in business operation and take full responsibility for one's own decision and actions.
 - ❖ Treat shareholders and stakeholders equally. Assure of fairness among business partners, shareholders, and other stakeholders.

2. **Rights of shareholders.** The Company gives importance to equal rights among all shareholders.
 - ❖ Right to obtain the Company's information.
 - ❖ Right to cast a vote.
 - ❖ Right to obtain fair treatment whereas every shareholder shall be assured of the equal right as deserved by all shareholders.

3. Rights of stakeholders. The Company gives importance to right of every group of stakeholders as described below.

- ❖ Employees: the Company shall treat all employees equally and fairly in accordance with the law, including fair compensation and fringe benefits.
- ❖ Business partners: the Company's purchase and sales of goods and service follows the acceptable commercial practices. And the Company shall strictly follow all terms and conditions as agreed in the business contract.
- ❖ Customers: The Company's responsibility and concern for the customers are toward the effort in providing quality and standard service, including having measure of keeping confidential customer information and having customer complaint procedure.
- ❖ Competitors: the Company competes within the acceptable rules and the boundary. Avoid unethical actions which cause unfairness of competitive advantages over the competitors.
- ❖ Community: the Company has responsibility in maintaining good environment for the surrounding communities and the society as a whole. The Company has established a measure of assuring pollution-free environment ie. good maintenance of equipment and tools.

4. Shareholders' Meeting

In the meeting, shareholders are able to ask questions and to give opinions or suggestion to the Company. In addition, after the Company is listed in the securities market, the Company will invite the president of directors, representative of Audit Committee, external auditors, and a legal officer to attend the meeting in order to answer shareholders' questions as appropriately as possible.

5. Leadership and Vision

The Board of Directors takes parts (or approve) in establishing vision, mission statement, strategy, objectives, business plans, and a budget. Also, the committee controls and oversees the executives to assure that business and budget plan is executed efficiently and proficiently. All actions taken reflect the effort to increase economic value of the Company, resulting greatest security for shareholders. Audit Committee is established to take charge of preparing proper financial statements, running internal control, disclosing information of the Company when there are any related-party transactions occurred, and correcting any transactions suspicious of being conflict of interests.

6. Conflict of interests

Whenever there are transactions which are probably the conflict of interest, Board of Directors and the executives will carefully review such transactions with the Company's interest as a priority. Measure used for approving related-party transactions, including policy and guideline of doing related-party transactions in the future has been agreed and approved in the meeting of Audit Committee no. 1/2006 on 29 March 2006, and Board of Directors meeting no. 2/2006 on 29 March 2006.

7. Business ethics

The Company has developed and issued Code of Ethics for directors, management, and employees to serve as guidelines for proper actions in performing duties.

8. Balances of non- executive directors

In order to prevent the possibility of a person's or a group of persons' having an absolute decision power, the Company has appointed 4 Independent Directors to sit in the committee, which is accountable for more than one third of the whole committee. Balance of power and authorities will promote efficiency of management and overall internal control system.

9. Position aggregation or segregation

Executive President does not hold a position of Managing Director concurrently in order to separate the duties of policy making, supervision, and routine work management. Scope of duties and authority of Board of Directors and Managing Director is clearly stated, resulting that neither the president nor Managing Director has an absolute power whereas approval from Board of Directors and majority of shareholders is required for execution of significant deals or plans. In addition, Managing Director or Board of Directors cannot approve any transactions or proposals in which there is a conflict of interest between such person(s) and the Company.

10. Remuneration of directors and the Management officers

Remuneration of directors is considered upon the assigned duties and responsibilities, and be approved in the meeting of shareholders, whereas those of the management officers is upon the policies as established by Board of Directors, which associated with the assigned duties and responsibilities of the management officers. Apart from the policies of Board of Directors, remuneration of the management officers is evaluated from performance of the individual management officer and of the Company.

Measure of preventing misuse of insider information by the management officers.

1. To prevent misuse of insider information, each department/section shall not disclose any information of one's own department/section to any other departments/sections or to other parties not entitled to that information.
2. The management officers who are entitled to the Company's financial reports/information shall not seek any benefits from that information prior to public disclosure. One of the rules to prevent misuse of information is that the management officers shall not engage in security trading for one month before public disclosure of the Company's financial statements.
3. When the Company is listed in SET, all directors and management officers are required to report on the Company's shares hold by them as specified in Section 59 and in accordance with Announcement of Securities Exchange Commission no. Sor.Jor.14/2540 about report and disclosure of shareholding as dated 12 May 1997, and the requirements of SET. The penalty for not following the rules and requirements is described in Act of Securities and Securities Exchange B.E. 2535. Besides, any directors and management officers who break the rules are subjected to penalization according to the Company's Regulation ie. receiving verbal warning, written warning, suspension, or terminating employment, as the case may be.

Meeting of Board of Directors

Meeting of Board of Directors shall be held at least every 3 months and, if necessary, an extra meeting can be arranged. The directors may submit any proposal for approval in the meeting, including presenting ideas or suggestion openly and straightforward. The Company will prepare a minute of meeting for every meeting.

From January 1, 2008 to December 31, 2008, the Company has held 8 meetings of Board of Directors and 8 meetings of Audit Committee to discuss issues as detailed below:

Name of Directors	No. of attending			
	Board of Directors		Audit Committee	
	2007	2008	2007	2008
1. Mr. Sanan Eksangkul	8/8	5/5	N/A	N/A
2. Ms. Petcharat Eksangkul	8/8	5/5	N/A	N/A
3. Mr. Sanit Eksangkul	8/8	5/5	N/A	N/A
4. Mr. Wichai Eksangkul	6/8	5/5	N/A	N/A
5. Ms. Sirinun Eksangkul	8/8	5/5	N/A	N/A
6. Mrs. Pismai Boonyakiat	8/8	5/5	8/8	4/4
7. Mr. Vitien Nildum	8/8	4/5	8/8	3/4
8. Mr. Jane Wongissariyakul	8/8	5/5	8/8	4/4
9. Ms. Thipawan Uthaisang	7/8	4/5	8/8	3/4

Subcommittee

According to the resolution of the Board of Committee No. 2/2007 on March 26, 2007, Audit Committee was appointed to resume their positions as the audit committee. The purpose of Audit Committee appointment is to be responsible to operation of internal control system whereas the scope of duties, responsibilities and authorization of Audit Committee follows requirements of SET. Meeting of Audit Committee will be held at least every quarter and, if emergency, an extra meeting will be arranged. Audit Committee has a duty to report to Board of Directors.

From the January 1, 2008 to December 31, 2008, the meetings of Audit Committee have been held for 4 times in total. Presently audit committee would be retired by their term expire in March 2009. The board of committee would consider appointing the audit committee later.

Moreover, the board of committee and the audit committee are on consideration to have other subcommittee such as Compensation subcommittee and Nomination subcommittee. This is to be consistent with good governance for listed company.

Internal audit and control system

Internal audit and control system has been set up to monitor both management and operation level. The Company has defined duties, responsibilities, and authorization of operation officers and the executives clearly, having

control system over the usage of Company's assets, clearly separating positions of the persons who operate work and those examine or audit work so as to balance power and to promote efficient internal control.

In addition, the Company appoints Internal Audit Company which report directly to Audit Committee. External auditors are required to evaluate and review the Company's internal control system when they are on duties to audit the Company's financial statements annually. Furthermore, the Company has made a handbook of internal control to be used within the organization.

Report of Directors

Board of Directors is responsible for the Company's overall operations, financial statements, and other financial information as shown in the Company's annual report and annual business operations reports.

Relationship with investors

According to the Company's policy, management has a duty to disclose information to investors on the basis of reliability and accuracy, whereas the information may have an impact on the Company as specified in the regulation of Securities Exchange Committee and SET. Investors can access to the Company's information through www.easonpaint.co.th or directly contact Mr. Sanit Eksangkul.

Employees

As of 31 December 2008, the total number of employees of the Company and subsidiaries are 222 persons (excluding directors and management officers as in 1-4). These employees worked in one of the following departments:

Department	EASON	NOF (Thailand)	EWC	EUP	Total
Research and development	39	1	-0-	1	41
Marketing	4	3	2	-0-	9
Purchasing	5	-0-	-0-	-0-	5
Financial	2	-0-	-0-	-0-	2
Accounting & Administrative	52	5	-0-	-0-	57
Production	88	-0-	-0-	-0-	88
Human Resource	8	-0-	-0-	-0-	8
Safety	3	-0-	-0-	-0-	3
Office of Managing Director	8	-0-	1	-0-	9
Total	209	9	3	1	222

1. Monetary Remuneration

Monetary remuneration includes salary, overtime compensation, bonus, monetary fringe benefits, and etc. (excluding directors and management officers as in1-4).

Remuneration of Employees	2006		2007		2008	
	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)	No. of Persons	Amount (Baht)
Eason Paint PCL	221	48,986,464.62	274	47,462,877.50	209	55,236,421.00
N.O.F. (Thailand) Ltd.	9	4,313,497.40	9	4,336,292.00	9	5,577,083.00
Eason Watson Coating Ltd.	-0-	-0-	-0-	-0-	3	528,934.00
Eason Urai Paint Ltd.	-0-	-0-	-0-	-0-	1	96,564.80
Total	230	53,299,962.02	283	51,799,169.50	222	61,439,002.80

2. Other type of remuneration

Non-monetary remuneration is a 30.3 Sq. meter unit at Waterford Tower which is available to employees who work at the Company's factory in Amphur Panthong to stay during a trip of seminars/trainings or a visit at Bangkok office.

3. An appointment of the Company's Secretary

The resolution of the Board of Directors meeting No. 3/2008 dated on August 8, 2008 approved an appointment of the Company's Secretary and appoint Office of Managing Director-Manager to be Company's secretary for the most efficient of the operation comply with corporate governance principle by having duties and responsibility as listed below;

- ❖ Advise legal information and other regulations to the Board.
- ❖ Take care of Board of Director activities.
- ❖ Coordinate and follow the resolution with high performance.
- ❖ Ensures that the duties and responsibilities of directors and the management comply with corporate governance principles.

4. Personnel development and motivation

The Company developed a policy of human resources development with a purpose of creating employees' positive attitude toward efficient working to achieve the highest results and safety. The Company regularly provides a variety of trainings for all levels of employees. New employees will attend an orientation and necessary courses of training associated with their jobs. Training over safety practices during work operation is also provided for employees as following programs.

- ❖ Orientation program such Company's profile and executives, fundamental of products and production procedure, Company's rule and regulation, Company's policy and goal, primary of safety program, fundamental of standardization such ISO 9000 and ISO/TS 16949, etc.

- ❖ Basic training needs such product and paint industrial knowledge, theory and color component, basic knowledge of raw material, production procedure for each paint or coating, quality control and analysis product, research development product, etc.
- ❖ Job enhancement such leadership skill, team building, teaching skill, problem solving and decision, internal communication, negotiation skill, production management, etc.

Including motivate employees to participate company activities to accomplish company goal such as

1. Award announcement function for employees who create an innovation and able to be an icon to other employees in the Company by held "The Day of Honor" event on every April as following;
 - ❖ Honor Award Auditor ISO 9001:2000
 - ❖ Honor Award Emergency committee 2007
 - ❖ Honor Award Best Working statistic 2007
 - ❖ Honor Award Long working age 2007
 - ❖ Honor Award an Icon of the year 2007
 - ❖ Innovation Award Best Team performance 2007
2. Sport competition to build up internal relationship such internal football match, Pe-Tong competition also promote working out such Aerobic, table tennis, provide gymnasium with full equipment and private park for relaxation and work out
3. The Company provide library as the source of knowledge and to rest.
4. The Company provide musical room with good instrument to employees.
5. The Company continues support and arrange training course during the year.
6. The Company provide internal and external communication by many channel such
 - ❖ "Ruw See Kiew Newsletter" for internal public relation in the Company which is issued every quarter
 - ❖ eKnowledge sharing from training section to release knowledge and working skill for employees.
 - ❖ Division meeting is arranged everyday and Department meeting is arranged every Wednesday.
 - ❖ Other activities related about quality support.

5. Corporate Social Responsibility activities 2007-2008

The Company developed a policy to carry out Corporate Social Responsibility which start from employee to public to assist and contribute other opportunity such knowledge, existence, health, education and activities to social such as;

- ❖ Established "Sang Hing Hoi Club" by staff in many section and volunteer to execute activities to society and community. All volunteer from the Company carry out project to support education sector in rural area during May 16 - 18, 2008 also cooperate to construct sport stadium, study room and provide sport equipments, toys, others education tools and education fund to "Baan Nok Yang Koo Scholl", Buriram province.
- ❖ Donate Company's paint to maintenance playground tools and school building at "Huy Ta Pog Scholl", Amphur Taa-Ta-Kiab, Chacheungsao province on November 1, 2008
- ❖ 2008 Best organization in welfare and labor relation in province level award at May 1, 2008

- ❖ “White Factory” award to prevent and solving drugs problem in the business also donate to “Wat Pra Baht Nam Pu temple”

Labor dispute

- None-

Safety, Occupational Health and Environment and Responsible Care management

- ❖ **Safety, Occupational Health and Environment**

In 2008 the Company presented company results to be candidate for The Prime Minister Industry Award on the category of the best management in safety, Occupational Health. Award announcement will be within first quarter of 2009.

- ❖ **Responsible Care (“RC”)**

RC group Thailand was established in 1998 by Chemical Industry Club, The Federation of Thai Industries and was certified by ICCA to be a member no. 41. The Company has joined RC group since 1999 onward and it is an important part to support business growing with environmental friendly.



Connected Transaction

Related-party transactions which occurred between Eason Paint Public Company Limited and the related parties in accordance with the remark in financial statements as of 31 December 2008 are listed in the table below:

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
Eksang Holdings Co., Ltd.	<ul style="list-style-type: none"> ▪ Related company (holding Eason Paint Public Company Limited shares 46.68% of total suffrage) ▪ 100% of paid-up shares were hold by Eksangkul Group. ▪ Having the same group of directors. 	<ul style="list-style-type: none"> ▪ Rent expense 	<ul style="list-style-type: none"> ▪ Rented office space for Bangkok branch office, R&D department. Lease contract commenced on 1 March 2005, rental fee was 82,000 baht/month. Contract period is 3 years which the Company has renewed contract on March 1, 2008 and increased rental fee to be 321,100 baht/month ▪ Rented office space (increase) for Bangkok branch office. Lease 	1.84	4.66	<ul style="list-style-type: none"> ▪ The company rented office space for Bangkok branch office, R&D department ▪ <u>Audit Committee's Opinion</u>: The company has necessity to rent the space for operating activities which is for Bangkok branch office, R&D department ▪ The first contract will have 3 years of total period. Rental fee for space and building is 321,100 baht/month which are appraised rental price, made by Prefer Appraisal Co., Ltd. on November 7, 2007. For renew the lease of

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
			contract commenced on May 1, 2007, Agreement period is 3 years rental fee was 107,000 baht/month			<p>further 3 years, the company must put down in writing to lesser within a month before the contract ends. The rental fee can be negotiating.</p> <ul style="list-style-type: none"> ▪ The second contract will have 3 years of total period. 107,000 baht/month of rental fee is for space and building which are appraised rental price, made by Prefer Appraisal Co., Ltd. on October 3, 2005. For renew the lease of further 3 years, the company must put down in writing to lessor within a month before the contract ends. The rental fee can be negotiating
Origin Eason Paint Co., Ltd. ("OEP") : Earlier is Origin Miki (Thailand) Co., Ltd ("OMT")	<ul style="list-style-type: none"> ▪ Joint Venture Company ▪ In 2007, 10% of paid-up shares were hold by the Company and Company's Shareholders (Eksangkul Group). 	<ul style="list-style-type: none"> ▪ Revenue from selling goods ▪ Revenue from distribute machine and equipment 	<ul style="list-style-type: none"> ▪ Company sells plastic coatings to the company who acts as a sole distributor, as agreed with the owner of product formula. Thus, the 	186.95	58.63 11.21	<ul style="list-style-type: none"> ▪ OEP is the joint venture, acting as a manufacturer and distributor of plastic coatings. It has the same credit term of payment as the Company's other customers ▪ <u>Audit Committee's Opinion:</u> Being

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
	<ul style="list-style-type: none"> ▪ In January 2008, the company purchased ordinary shares to increase the investment in OMT as of 39.80% ▪ Having the same director : Mr. Sanit Eksangkul 		<p>Company's selling price cannot be compared with the market price. However, the Company can designate a profit margin ratio in accordance with a price policy, and market condition.</p> <ul style="list-style-type: none"> ▪ On January 2008, the Company sold machinery, tools, equipment and works in the course of production and goods being used in the plastic coatings production line at the price which is not less than the book value to transfer plastic coating production line to Joint Venture Company 			normal business transactions
		<ul style="list-style-type: none"> ▪ Accounts receivable and notes receivable ▪ Beginning balance 	<ul style="list-style-type: none"> ▪ Normal business transactions associated with selling activities. 	46.51	60.48	

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
		<ul style="list-style-type: none"> ▪ Ending balance 		60.48	0.01	
		<ul style="list-style-type: none"> ▪ Purchase goods 	<ul style="list-style-type: none"> ▪ Earlier the Company purchase raw material used in plastic coatings. Normal business transactions which reference price were not available due to specialized raw material, therefore selling price is agreed by both parties ▪ Currently the Company still purchase some raw material for manufacture motorcycle coating at reasonable price in market 	107.79	5.57	<ul style="list-style-type: none"> ▪ If the Company imports this raw material itself, it has to purchase at the minimum quantity set up the supplier, which is excessive for the Company. Ordering through OEP who normally orders large quantity of raw material helps the Company cut down an unproductive stock of raw material
		<ul style="list-style-type: none"> ▪ Accounts payable ▪ Beginning balance ▪ Ending balance 	<ul style="list-style-type: none"> ▪ Normal business transactions associated with buying activities 	18.08	41.93	<ul style="list-style-type: none"> ▪ <u>Audit Committee's Opinion:</u> Being normal business transactions
		<ul style="list-style-type: none"> ▪ Miscellaneous expenses 	<ul style="list-style-type: none"> ▪ Purchase of plastic boards for testing plastic coatings before selling 	0.76		<ul style="list-style-type: none"> ▪ The company has to test the quality of every single lot of plastic coatings before selling to

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
			through OMT			the customers. Plastic boards are needed for testing and can be purchased from OEP <ul style="list-style-type: none"> Audit Committee's Opinion: Being normal business transactions
		<ul style="list-style-type: none"> Rental fee earned Service fee earned 	<ul style="list-style-type: none"> Earlier the Company leases space for keeping raw materials and to-be delivered goods which rental contract before transferring plastic coating production line. Since June 1, 2005 warehouse rental fee is 7,500 baht/month and service charge is 5,000 baht/month Since January 1, 2008 the Company composed 3 years rental contract for factory building and warehouse. Rental fee is 400,000 baht/month and other service fee is 	0.09 0.11	5.88 1.47	<ul style="list-style-type: none"> OEP rents warehouse in Cholburi to keep plastic coatings. Since the Company is the supplier of plastic coatings to OEP, it is convenient to keep both raw material and finished goods at the Company Audit Committee's Opinion: On May 31 2004, the Company arranged to have an independent party; Preferred Appraisal Co., Ltd., to appraise an appropriate rental fee. A result of appraisal was: rental fee was 150 baht/sq.metre/month which totaled to 7,500 baht/50 sq.metres/month, and other service charges was 5,000 baht/month

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
			100,000 baht/month <ul style="list-style-type: none"> And since March 1, 2008 the Company sub-leased an office branch in Bangkok for OEP to use for office building and laboratory. Rental fee is 108,000 baht/month and service fee is 27,000 baht/month 			<ul style="list-style-type: none"> On November 7, 2007, the Company arranged to have an independent party; Preferred Appraisal Co., Ltd., to appraise an appropriate rental fee. A result of appraisal was: rental fee was 200 baht/sq. metre which totaled area is 675 sq.metre. The rental fee is 160 baht/sq.metres/month, and other service charges was 40 baht/sq. metre
		<ul style="list-style-type: none"> Service charges earned 	<ul style="list-style-type: none"> The Company provides other service such as maintenance machinery and tools in production line, training and seminar, etc. to manage current asset to earn most advantage for the Company 		3.43	
		<ul style="list-style-type: none"> Revenue from accrued service charges 	<ul style="list-style-type: none"> Rental fee and service charges (credit terms 30 days) 	0.04	1.67	

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
BASF Coatings Japan ("BCJ")	<ul style="list-style-type: none"> ▪ Holding 40% of paid-up shares of NOF (Thailand) Co., Ltd. ("NTL"), subsidiary company. 50.98% of paid-up shares of NTL is hold by the Company, and 9% by Miki (Japan). ▪ The Company purchased 40% of paid-up shares from BCJ on January 7, 2009 therefore the Company held 90.98% of total shares in NTL ▪ The Company purchased 9% of paid-up shares from Miki on February 6, 2009 therefore the Company held 99.98% of total shares in NTL 	▪ Purchase goods	▪ Import of goods which company is not produce, for selling	7.98	11.33	▪ <u>Audit Committee's Opinion:</u> Being normal business transactions
		▪ Accounts payable	▪ Cost of imported goods for selling	2.85	3.05	▪ <u>Audit Committee's Opinion:</u> Being normal business transactions
		▪ Miscellaneous expenses	▪ Technical fee and license fee; at the rate as agreed and specified in the contract effective since 1984	15.18	19.48	<ul style="list-style-type: none"> ▪ Transactions occurred from paying technical fee and license fee which were calculated on the basis of revenue generated from sale of motorcycle coatings as specified in the contract effective sine 1984 ▪ <u>Audit Committee's Opinion:</u> The transaction corresponded with the agreement with BASF Coatings Japan
		▪ Accrued expenses	▪ Technical fee and license fee; payment cycle is 6 months and payment is due within 60 days from	8.73	16.93	

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2006	2007	
			the last day of cycle			
Watson Standard Asia Inc.	<ul style="list-style-type: none"> ▪ Holding 49% of paid-up shares of subsidiary company, Eason Watson Coating Limited (EWC). 50.95% of paid-up shares are hold by the Company, and 0.05% by Eksangkul group 	Purchase goods	<ul style="list-style-type: none"> ▪ Import of goods which company is not produce, for selling 	1.64	7.57	<ul style="list-style-type: none"> ▪ <u>Audit Committee's Opinion:</u> Being normal business transactions
		<ul style="list-style-type: none"> ▪ Accounts payable 	<ul style="list-style-type: none"> ▪ Cost of imported goods for selling 	1.64	1.95	

Measure or procedure used to approve related-party transactions

Audit Committee and Board of Directors reviewed all related-party transactions, and Audit Committee's opinion was explained as shown in the above table. The Company will report to Audit Committee quarterly if any transactions of the same nature occur again in the future. The Company will assign the department/section to be responsible to collect all data and information associated with related-party transactions and submitting to Audit Committee to

further consider if those transactions are of normal business operation and traded at its market value. In Audit Committee, there shall not be any directors who could be suspicious of engaging in conflict of interest occurred from related-party transactions.

Policy or possibility of related-party transactions in the future.

Related-party transactions can be of two natures, one is the continuous transactions ie. renting property, license fee of know-how, etc, and another is one-time transactions ie. those transactions between the Company and Incoat (Thailand) Co., Ltd. or Eksang (1978) Co., Ltd. (these companies are related to the Company and registered to be terminated business entities). Audit Committee and/or Board of Directors will be the party considering whether the related-party transactions are reasonable, be of normal business operation, occurred at agreed price and conditions whereas any persons who could be exposed to conflict of interest shall not be in the position to approve those transactions. The Company strictly follows all applicable regulations and requirement such as Act of Securities and Securities Exchange, announcements, requirements of SET, requirements of disclosing information of transactions occurred between related parties and information about acquisition or disposal of the Company's and subsidiaries' significant assets, and accounting standards as defined by Accountant and CPA Association of Thailand

If there is a case where the person who is exposed to conflict of interest unavoidably involves with the related-party transaction, Audit Committee will consider and evaluate if that transaction is normal and its price has to be compared with others' in the market. If Audit Committee does not have adequate experience in the nature of that transaction, the Company may appoint the external specialized person or the Company's appointed external auditor to review and to evaluate the transaction. The evaluation and opinion will be presented to Board of Directors or shareholders, as the case may be. Related-party transactions will be illustrated in the remark of financial statements which are audited by the Company's external auditors.

Analysis of Financial

Overview of the Company's performance

The Company and its subsidiaries engage in the manufacturing and distributing of industrial paints for motorcycles, plastic components, packaging, and offset printing ink. The Company's revenue is growing in line with the growth of customers' industry, which can be categorized into 4 major sectors: motorcycle coatings, plastic coatings, paper offset ink, and packaging coatings. Motorcycle coating is used for spraying on a body and parts of motorcycle. Plastic coatings mainly used for spraying on plastic parts of automobile and electrical appliances; thus, the revenues of this sector ties up with the well-being of automotive and electronic industries. Revenues of offset ink and packaging coatings vary with performance of printing industry, and food/packaging industries respectively. The principal earnings during the past 3 years of both the Company and its subsidiaries were attributable to the sale of paint products to automotive group which accounted for not less than 50 percent of gross sales earnings

Revenue

In 2007 – 2008, total revenues were increased from 698.45 million baht to million 706.76 baht. The Company's revenues are generated from selling products and services, and from other activities (profit from sale of property, currency exchange and sharing of profit in the joint companies) The revenue from selling products and services can be classified into the revenue from manufacturing and selling industrial paints (which is accounted for the average 95 percentage of gross revenue); secondly, its revenue was generated by the provision of services and other income from sales. The details from sale and services are as follows:

1) Automotive paint industry group. The paint products are used by the automotive industry groups, in particular, the motorcycle manufacturing groups. The total sales turnover for these paint groups was subject to variation according to total domestic production of the automotive vehicles and partially automotive exports; thus attributable to gradual annual continuing increase until the present despite the fluctuation of the selling price in line with the trends of the fluctuating price of raw materials.

2) Other industrial paint groups: it is the paint being used in printing industries and packaging material coatings industries in general and food packaging industry. During the past 3 years, turnover from sale of other industrial paint has experienced constant growth; for printing ink by the cooperation between the Company and INX Corporation Ink Limited, USA and packaging coating by the collaboration with Watson Standard, USA

Details of the Company's ratio of revenue to its production capacity are described in the Table below:

Unit: Thousand baht

(Unit : Million Baht)	Y 2006	Y 2007	Y 2008	% Y 2006	% Y 2007	% Y 2008
Revenue						
Revenue from selling products	651.31	694.03	672.37	98.1%	99.4%	95.1%
<i>Automotive Paint</i>	<i>504.80</i>	<i>541.19</i>	<i>481.81</i>	<i>76.0%</i>	<i>77.5%</i>	<i>68.2%</i>
<i>Other Industrial Paint</i>	<i>146.51</i>	<i>152.84</i>	<i>190.57</i>	<i>22.1%</i>	<i>21.9%</i>	<i>27.0%</i>
Revenue from selling services	1.89	-	-	0.3%	0.0%	0.0%
Profit from fixed assets	1.01	-	-	0.2%	0.0%	0.0%
Profit from currency exchange	0.88	-	-	0.1%	0.0%	0.0%
Profit share from joint venture company	-	-	14.07	0.0%	0.0%	2.0%
Other revenues	8.89	4.42	20.31	1.3%	0.6%	2.9%
Total revenue	663.98	698.45	706.76	100.0%	100.0%	100.0%

Revenue from providing services attributable to transportation and leased warehouse rental fee paid by NOF and OEP

Revenue from other selling attributable to produced industrial adhesive, leftover inventory, deterioration product and raw material container

Other income from sale of property, profit from currency exchange and sharing of profit in the joint companies; and income from interest receivable attributable to short-term investment of the proceeds from the Initial Public Offering (IPO) of the rights issue of share to the public in general.

In 2008, the Company earned gross income of 706.76 million Baht, which was increase from 2007 as 1.19 percent attributable from automotive paint and other industrial paints. The income proportion of automotive paint from total revenue in 2007 and 2008 is 77.50% and 68.20% respectively as well as the income proportion of other industrial pains from total revenue in 2007 and 2008 is 21.90% and 27.00% respectively. In 2006 other industrial paint proportion was increased and automotive paint proportion was decreased as a result of re-organization in automotive company group which is plastic paint. The Company purchased ordinary shares to increase investment proportion in OEP and sell plastic paint production line to OEP for the full operation as manufacturer and distributor therefore OEP is the joint venture company. In 2007 the Company earned dividend from the joint venture company.

COSTS OF SALES AND SALES AND ADMINISTRATIVE EXPENSES

Majority of raw materials used in paints production are color powder, resin, solvent, and other chemicals. Mostly, chemical raw materials used in paint industry are imported due to its higher quality than the domestic's. However, in the year 2007, The raw material cost for production is accounted for 92.60% of the total cost of good sold and labor cost while other production expenses and power supply was only 7.40% of the total cost of good sold

The ratio of cost of goods sold to the total generated revenue was in the range of 67.10%- 68.32 %, and it was 67.10% in the year 2008 of total revenue. However, for the past few years, the price of raw materials has risen continuously, as it was fluctuated by oil price. The Company regularly keep stock of raw materials lasted for 1-3 months

of production. In addition, the Company always monitors changes of demand-supply trend in the global market of chemicals for the purpose of proper planning and management of production cost and minimizing a risk of chemical price fluctuation. To compensate higher chemicals price, the Company has implemented a policy of adjusting product price correspondingly but not at the same rate as the change of oil price and not as immediately as the time when chemical price moves. Instead, the Company adjusts price gradually to sustain the desired rate of gross profit margin, resulting the minuscule and manageable changes of ratio of cost of goods sold to total revenue. Therefore the Company is able to control production cost for each purchase orders.

In the year 2007 and 2008, sales and administrative expenses were 147.56 and 165.65 million baht respectively, where as the ratio of selling and administrative expenses to total revenue in 2007 and 2008 was 21.13% and 23.40% of gross revenue. Selling and administrative expenses was increasing every year largely from increases in cost of sales and administrative expenses such royalty fee and employee.

In 2007, royalty fee was increase in accordance with increasing selling product also the remuneration for employees was increased from training program which has been reserved for business expansion both local and Vietnam and the Company's policy of developing employees to achieve more knowledge and ability which is the important factors for enduring business in the future.

The Company paid for annual juristic person income tax at the rate of 2.3 - 3.5% of the gross revenue. In the year 2007, Company paid juristic person income tax of 16.38 million baht or 2.3% of the gross revenue

PROFIT

In the year 2007 and 2008, the Company's gross profit accounted for 31.25% and 29.52% of total income from sales and services; the rate of gross profit was fluctuating due to the fluctuation of chemicals price. However the Company always keeps an eye on chemicals price movement in the world market to be applied as the data in to manage of the production cost.

In the year 2007 and 2008, the Company earned the operating profit of 10.22% and 4.88% of the revenue from selling products and service and in the year 2006 and 2007, the Company earned net profit of 8.92% and 7.06% of total revenue. Thus In 2007, the profit was decreased from last year caused by royalty fee was increased in accordance with increasing selling product also the remuneration for employees was increased from training program which has been reserved for business expansion both local and Vietnam and the Company's policy of developing employees to achieve more knowledge and ability which is the important factors for enduring business in the future.

The Company realized its profit from currency exchange rate, which accounted for under 0.5% of the gross income; even though the Company used imported raw materials, particularly chemicals, which are produced overseas, the large part of that is ordered through local distributor. Thus, any profitability realized from exchange rate thanks to the purchase price fluctuation was recorded in terms of import of raw materials direct from the overseas suppliers. However, to prepare for the possibility of drastic fluctuation of exchange rate, the Company had the credit line in terms a Forward Contract with a financial institution to make available the funds sufficient for each purchase of raw materials from overseas.

In the year 2007 and 2008, ratio of net profit to gross assets was 8.65 % and 6.92 %, respectively. The reasons for the decrease in Ratio of Gross Assets to Net Profit were thanks to decrease in the net profit in 2008 as opposed to the increase in gross assets in 2008, which was accounted for 707.26 million baht, increased from last year as the amount of 44.68 million baht. The major increment is from the growing of non-current assets from long-term investment in EUP and the increasing of investment proportion in NTL and OEP.

The rate of **net profit to total shareholders' equity** in 2007 and 2008 was decrease from 12.5% to 10.8% respectively. This is due to the result of the Company's preparation for its future business expansion; the expenses of depreciation and human resource was increased both growing by number and development.

Financial status

Total assets

The Company's ratio of **Current Assets to Gross Assets** in 2007 and 2008 was 0.59 times and 0.52 times respectively. In 2008, the major of Current Assets was trade accounts, inventories, cash and saving account with financial institute and the major of non-current assets was land, building and equipment, minor of non-current assets was long terms investment.

As at 31 December 2008, the Company's total assets totaled 707.26 million Baht; an increase to that of 2007 by 44.68 million baht: divided into current assets of 367.31 million baht or 52% of gross assets; and non-current assets of 339.43 million Baht or 48% of gross assets.

In 2007, the Company's principal current assets include was trade accounts, inventories cash and saving account with financial institute; non-current assets was land, building, equipments and investment in related company. In 2008 land and building was accounted for net value of 249.05 million Baht or 35.2% of gross assets. Besides the above-said current assets, Company also possesses intangible assets including copyrights and patents of know-how.

Quality of Asset

Account receivable

In the year 2008, the Company's net accounts and bills receivables used to guarantee the allowance for doubtful debts totaled 117.63 million Baht or accounted for 16.6% of gross assets: decreased from end of 2007 as amount of 39.43 million baht which caused from earlier credit terms and re-organized of Company's group. Separated by the term of the account receivables, most of the trade receivables were under 3-year term according to the credit terms and timeframe for average repayment during 2007 – 2008 of 71-76 days. The details of the account receivables are classified as follows:

Account/Notes Receivable	2007	2008	% 2007	% 2008
Term: from 0 – 3 months	153.54	114.16	97.76%	97.05%
Term: more than 3 months to 6 months	2.70	1.58	1.72%	1.35%
Term: more than 6 months	0.82	2.19	0.52%	1.86%
Total	157.06	117.94	100.00%	100.26%
Less: Allowance for doubtful debts	0.00	(0.31)	0.00%	-0.26%
Total receivables and notes receivable-net	157.06	117.63	100.00%	100.00%

For this purpose, the Company has a policy to set up the allowance for doubtful debt from the account receivable anticipated to be unrecoverable with the term of the trade receivables exceeding 1 year however in 2008 the Company set up the allowance for doubtful debt as amount of 0.31 million baht.

Inventory

The Company manufactures industrial paints according to the customer's purchase order for a different type, different color, properties and characteristics of paint according to the right to have a license to produce paint. Thus, prior to production, the Company would establish a production plan to correspond with each customer's annual production plan. The Company therefore produces paints products in quantity according to each purchase order from the customers; and there may be the manufacture of partial reserve paint products. The Company's industrial paints, which are already subject to production process, will expire not more than one year. However the Company will proceed under the policy to manage left over inventory also the Company has made a provision for an allowance for the diminishing value after 1 year expiry. In 2007, as the Company yet sold the expired goods in inventory which were already written off; this resulted in the re-transfer of the allowance for the diminishing in value of the goods totaling approximately 3.27 million Baht; and in 2008, the Company made a provision for allowance of the diminishing value of the goods equal to 2.38 million Baht.

Liquidity

At December 31, 2008, the Company's net cash flow stood at 65.55 million Baht which was net operating cash flow at 48.73 million Baht, investment activity cash inflow amounted to 78.04 million baht and the cash flow spent on fund-raising activities amounted to 40.73 million baht

The Company's net cash flow from the operation in 2007 and 2008 was 80.63 million baht and 48.73 million baht respectively. Net cash flow from the operation in 2008 was decreased by re-organized company's group.

For the investment activities cash flow, the Company spent on investment activities in 2007 and 2008 was 40.09 million baht and 78.04 million baht respectively. In 2008 it was spent for the investment in related company, leasing in Vietnam project investment and non-current asset. For the cash flow spent on fund-raising activities, the Company spent on fund-raising activities in 2007 amounted 20.24 million baht and cash received from fund-raising activities in 2008 amounted 40.73 million baht which was net outcome from dividend distribution and repurchased share, cash received from financial institution and from exercised warrants by shareholders.

Resource of capital

If consider the suitability of the capital structure during 2007 and 2008, the Company had **Debt to Equity Ratio** of 0.53 times and 0.59 times respectively. It was evident the ratio of **Total Liabilities to Total Shareholders' Equity** was increased from previous year due to the increasing of both long and short term loan from financial institute.

Shareholders' Equity

On November 13 2006, the Company registered increased authorized capital of 107,000,000 million Baht. in total, the authorized capital of the Company stood at 307,000,000 million baht to accommodate the exercise of the right under 100,000 units of warrant by the existing shareholders; and to accommodate the exercise of the right under

7,000,000 units of warrants by directors, executives (who are not the directors of the company), members of the staff and the Company's advisor.

The warrants for existing shareholders have been issued on April 27, 2007 and will be expired on April 26, 2011; warrant period is 4 years. Ratio of the exercise is 1 unit warrant: 1 ordinary share at the par value of 1 baht. Warrants holders are able to exercise warrant at last working day of June and December from 2007 to 2011. The last exercise date will be April 26, 2011

The warrants for directors, executives (who are not the directors of the company), employees and company's consultant have been issued on April 27, 2007 and will be expired on February 26, 2010; warrant period is 2 years 10 months and 3 days Ratio of the exercise is 1 unit warrant: 1 ordinary share at the par value of 1 baht. Warrants holders are able to exercise warrant at last working day of February and August from 2007 to 2010. The last exercise date will be February 26, 2010

At December 31, 2008 the Company has paid-up capital as the amount of 204.36 million shares and existing warrant remained amount of 91.06 million units divided by warrant for existing shareholders 87.57 million units and warrant for directors, executives (who are not the directors of the Company) employee and consultant 3.49 million units

August 8, 2008, the Board of Director has approved the Treasury Stock Program (Repurchase of Company's Shares) for Financial Management purpose. The number of shares to be repurchased shall not exceed 20,342,018 shares (at par value 1 baht) or 10% of the total Paid-up Capital and the amount for the program shall not exceed 44.98 million baht. The repurchase period will be August 28, 2008 to February 28, 2009 and be able to dispose repurchase shares after 6 month but not over than a year. At December 31, 2008, the cumulative number of shares repurchased is 16,487,100 shares (at par value 1 baht) or 8.07% from paid-up capital in the amount of 33.03 million baht

Liabilities

At December 31, 2008 and 2007, the Company utilized credit with the 3 months promissory noted to be working capital with 3 commercial banks at the amount of 85 million baht and 20 million baht respectively. The Company had long term loan amounted 20.16 million baht which is the part of investment capital in subsidiary companies for building and factory construction also purchase machinery in Vietnam with commercial bank in Thailand.

External Auditor fee

The Company and its subsidiaries paid external auditor fee in the A/C Period of 2007 totaling 620,000 Baht.

The Company and its subsidiaries paid external auditor fee in the A/C Period of 2008 totaling 940,000 Baht.

In 2008, the Company has not been charged for non audit fee by auditor and auditing company

Factors to have impacts on financial status or future operating results

Business expansion project in Vietnam; Eason Urai Paint Company limited has been formed as subsidiary company to manufacturing and distributing industrial paint in Vietnam with registered capital 2 million us dollar. The said project will invest for factory, office building, ware house, machineries, inspection tools, R&D tools and etc. Company's assets would be increased and would be caused of high depreciation from the increased of buildings and equipment that may affect to net profit of the Company.

Table 1 Balance sheet as at December 31, 2006 - 2008

Balance sheet (Unit: Million Baht)	2006	2007	2008	% 2006	% 2007	% 2008
Current assets						
Cash and cash equivalents	45.25	65.55	78.47	7.9%	9.9%	11.1%
Current investment	53.82			9.4%	0.0%	0.0%
Trade account, account receivable	137.20	157.06	117.63	23.9%	23.7%	16.6%
Inventory-net	126.67	164.04	161.20	22.1%	24.8%	22.8%
Other current assets	7.04	6.65	10.52	1.2%	1.0%	1.5%
Total current assets	369.99	393.31	367.83	64.5%	59.4%	52.0%
Fixed assets						
Long term investment	0.98	2.94	48.31	0.2%	0.4%	6.8%
Property, plant, equipment-net	196.77	260.51	249.05	34.3%	39.3%	35.2%
Non operating land	5.67	5.67	5.67	1.0%	0.9%	0.8%
Intangible assets-net	0.00	0.00	7.72	0.0%	0.0%	1.1%
Other fixed assets	0.16	0.15	28.67	0.0%	0.0%	4.1%
Total fixed assets	203.58	269.27	339.43	35.5%	40.6%	48.0%
Total assets	573.57	662.58	707.26	100.0%	100.0%	100.0%
Current Liability						
Short term ;pam	-	22.95	85.00	0.0%	3.5%	12.0%
Account payable	110.25	164.11	112.41	19.2%	24.8%	15.9%
One year leasing account payable	-	0.76	1.11	0.0%	0.1%	0.2%
Accrued expenses	29.71	26.97	28.16	5.2%	4.1%	4.0%
Other current liabilities	12.32	15.03	13.77	2.1%	2.3%	1.9%
Total current liabilities	152.28	229.82	240.45	26.5%	34.7%	34.0%
Non-current liabilities						
Net liabilities in leasing agreement		0.60	0.86	0.0%	0.1%	0.1%
Long term loan			20.16	0.0%	0.0%	2.8%
Total liabilities	152.28	230.42	261.46	26.5%	34.8%	37.0%
Shareholder's equity						
Registered capital	307.00	307.00	307.00	53.5%	46.3%	43.4%
Paid up share capital				0.0%	0.0%	0.0%
Common share	200.00	201.21	204.36	34.9%	30.4%	28.9%
Premium on share capital	111.42	111.42	111.42	19.4%	16.8%	15.8%
Currency translation changes	-	-	1.87	0.0%	0.0%	0.3%
Shares receive in advance	-	-	11.57	0.0%	0.0%	1.6%
Retained earning				0.0%	0.0%	0.0%
Legal reserve	6.98	10.01	12.32	1.2%	1.5%	1.7%
Treasury stock reserve	-	-	33.12	0.0%	0.0%	4.7%
Unappropriated	79.21	91.50	65.93	13.8%	13.8%	9.3%
Less Treasury share	-	-	(33.12)	0.0%	0.0%	-4.7%
Subtotal shareholder's equity	397.60	414.13	407.46	69.3%	62.5%	57.6%
Minority interest in subsidiaries	23.68	18.03	38.33	4.1%	2.7%	5.4%
Total shareholder's equity	421.29	432.16	445.80	73.5%	65.2%	63.0%
Total liabilities and shareholder's equity	573.57	662.58	707.26	100.0%	100.0%	100.0%

Table 2 Income Statement as at December 31, 2006 - 2008

Profit and loss statement (Unit: Million Baht)	2006	2007	2008	%	%	%
				2006	2007	2008
Revenue						
Revenue from sale	651.31	694.03	672.37	98.1%	99.4%	95.1%
<i>Sale from automotive sector</i>	504.80	541.19	481.81	76.0%	77.5%	68.2%
<i>Sale from other sector</i>	146.51	152.84	190.57	22.1%	21.9%	27.0%
Revenue from service	1.89	-	-	0.3%	0.0%	0.0%
Gain on fixed asset sale	1.01	-	-	0.2%	0.0%	0.0%
Profit from foreign exchange	0.88	-	-	0.1%	0.0%	0.0%
Profit sharing from related company	-	-	14.07	0.0%	0.0%	2.0%
Other revenue	8.89	4.42	20.31	1.3%	0.6%	2.9%
Total revenue	663.98	698.45	706.76	100.0%	100.0%	100.0%
Cost of goods sold	446.28	477.15	473.88	67.2%	68.3%	67.1%
Gross profit margin	217.70	221.30	232.87	32.8%	31.7%	32.9%
Selling&Administrative expenses	129.24	147.56	165.65	19.5%	21.1%	23.4%
EBIT	88.46	73.74	67.22	13.3%	10.6%	9.5%
Interest	0.51	0.44	3.48	0.1%	0.1%	0.5%
Tax	23.09	19.84	16.38	3.5%	2.8%	2.3%
Minority interest in subsidiaries	5.65	-	-	0.9%	0.0%	0.0%
Net profit (Loss)	59.21	53.46	47.36	8.9%	7.7%	6.7%

Table 3 Statement of cash flow as at December 31, 2006 - 2008

Cash flow statement (Unit: Million Baht)	2006	2007	2008
Cash flows from operating activities			
Net profit	59.21	49.32	47.36
Items to reconcile net profit to net cash			
Depreciation and amortization	21.87	31.12	29.48
Interest income			(0.23)
Interest expense			3.48
Withholding tax amortization	-		16.38
Doubtful accounts	-		0.31
Gain on sale of fixed assets	(1.01)	(0.39)	(3.07)
Share of net profit in associated company			(14.07)
Loss on declining value of inventories (reversal)	0.23	0.66	4.84
Net profit from operations before changes in operating assets and li	86.02	84.85	84.48
(Increase) decrease in operating assets			
Trade account and note receivables	(1.60)	(19.86)	39.12
Inventories	(11.98)	(38.03)	(2.00)
Other current assets	(2.11)	0.41	(3.87)
Other non-current assts	0.04	0.01	(0.00)
Increase (decrease) in operating liabilities			
Trade account payables	0.05	53.85	(51.70)
Accrued expenses	6.32	(2.74)	0.34
Accrued tax	(3.71)	1.28	(18.45)
Other current liabilities	(0.33)	1.43	0.81
Net cash provided by (used in) operating activities	72.70	81.20	48.73
Cash flows from investing activities			
Interest income			0.23
Cash paid/recieve to long-term investment	46.18	53.82	
Cash received from sale of fixed assets	1.07	0.43	12.23
Cash paid to purchases of fixed assets	(93.47)	(93.39)	(22.51)
Cash paid to intangible asset			(7.22)
Cash paid to leasehold right			(27.99)
Net cash provided by (used in) investing activities	(46.22)	(41.10)	(78.04)
Cash flows from financing activities			
Increase in overdraft and short-term loans		22.95	62.05
Cash paid for interest expenses			(3.48)
Cash paid for hire-purchase agreements		(0.16)	(1.24)
Cash paid for dividend	(49.80)	(48.71)	(44.24)
Increase in long-term loans	-		20.16
Cash paid for treasury shares			(33.12)
Cash received from issued ordinary shares	-	6.11	40.61
Net cash provided by (used in) financing activities	(49.80)	(19.81)	40.73
Net increase (decrease) in cash and cash equivalents	(23.32)	20.30	11.42
Cash and cash equivalents, at beginning of period	68.57	45.25	65.55
Cash and cash equivalents, at end of period	45.25	65.55	78.47

Table 4 Financial ratios as at December 31, 2006 - 2008

Financial ratio	Unit	2006	2007	2008
<u>Liquidity ratio</u>				
Current ratio	Times	2.43	1.71	1.53
Quick ratio	Times	1.55	0.97	0.82
Cash ratio	Times	0.54	0.42	0.21
Current asset/Total asset	Times	0.65	0.59	0.52
Fixed asset/Total asset	Times	0.35	0.41	0.48
Account receivable turnover	Times	4.85	4.75	5.04
Average collection period	Days	74	76	71
Inventory turnover	Times	3.69	3.28	2.91
Average sale period	Days	98	110	124
Account payable turnover	Times	4.05	3.48	3.43
Average payment period	Days	89	104	105
Cash Cycle	Days	83	82	90
<u>Profitability ratio</u>				
Gross profit margin	(%)	31.68%	31.25%	29.52%
Operating profit margin	(%)	11.89%	9.99%	4.88%
Cash margin return on profit	(%)	104.53%	116.31%	148.39%
Net profit margin	(%)	8.92%	7.65%	6.70%
Return on equity	(%)	14.31%	12.53%	10.79%
<u>Efficiency ratio</u>				
Return on assets	(%)	10.48%	8.65%	6.92%
Return on fixed assets	(%)	53.81%	35.78%	25.25%
Total assets turnover	Times	1.18	1.13	1.03
<u>Solvency ratio</u>				
Debt to equity	Times	0.36	0.53	0.59
Dividend payout ratio	(%)	82.26%	82.75%	57.79%

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

AUDITOR'S REPORT

To The Shareholders and Board of Directors of
EASON PAINT PUBLIC COMPANY LIMITED

I have audited the consolidated balance sheets of EASON PAINT PUBLIC COMPANY LIMITED and its subsidiaries as at December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the balance sheets of EASON PAINT PUBLIC COMPANY LIMITED as at December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. Included in the consolidated financial statements are the financial statements of an overseas subsidiary which were audited by other auditor whose report was furnished to me. Such financial statements reflect total assets as at December 31, 2008 of Baht 67.74 million and net loss for the year then ended of Baht 2.63 million. In addition, the consolidated financial statements of 2008 included share of profit of a associated company of Baht 14.07 million. The financial statements of this associated company were audited by other auditor. As at December 31, 2008, the consolidated financial statements included investments in this associated company accounted for under the equity method of Baht 48.31 million. My opinion on the consolidated financial statements, insofar as it relates to the amounts included for those subsidiary and associated company, are based solely on the reports of the other auditors.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EASON PAINT PUBLIC COMPANY LIMITED and its subsidiaries as at December 31, 2008 and 2007, and the consolidated results of their operations, the consolidated changes in their shareholders' equity and their consolidated cash flows for the years then ended and the financial position of EASON PAINT PUBLIC COMPANY LIMITED as at December 31, 2008 and 2007, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended, in accordance with generally accepted accounting principles.

(Mr. Pichai Dachanapirom)
Certified Public Accountant
Registration No. 2421

Dharmniti Auditing Company Limited
Bangkok, Thailand
February 27, 2009
2009/106/8892

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

		Baht				
		Consolidated balance sheets		Separate balance sheets		
Note		2008	2007	2008	2007	
Current assets						
	Cash and cash equivalents	6	78,470,003.97	65,550,692.48	35,309,009.09	31,379,526.98
	Trade account and note receivables, net					
	- Related companies	5, 7	156,636.52	60,485,426.64	114,531,627.77	126,538,004.14
	- Other companies	7	117,477,373.25	96,576,442.59	35,185,521.45	49,248,860.64
	Inventories, net	8	161,202,387.94	164,043,825.54	129,261,107.50	145,118,133.23
	Other current assets	5	10,522,628.64	6,649,607.63	4,578,631.97	6,721,076.65
	Total current assets		367,829,030.32	393,305,994.88	318,865,897.78	359,005,601.64
Non-current assets						
	Investment in subsidiaries	9	-	-	47,251,728.00	6,114,600.00
	Investment in associated company	9	48,305,771.19	-	35,724,300.00	-
	Other long-term investment	9	-	2,940,000.00	-	2,940,000.00
	Property, plant and equipment, net	10	249,053,890.34	260,510,799.63	244,322,102.68	258,910,085.11
	Land not used in operation	11	5,671,668.15	5,671,668.15	5,671,668.15	5,671,668.15
	Intangible assets, net	12	7,724,802.78	1.00	7,724,802.78	1.00
	Leasehold right, net	13	28,517,709.74	-	-	-
	Other non-current assets		154,744.86	150,603.66	32,200.00	45,600.00
	Total non-current assets		339,428,587.06	269,273,072.44	340,726,801.61	273,681,954.26
	TOTAL ASSETS		707,257,617.38	662,579,067.32	659,592,699.39	632,687,555.90

Notes to financial statements form an integral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS (CONT.)
AS AT DECEMBER 31, 2008 AND 2007

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Baht			
		Consolidated balance sheets		Separate balance sheets	
		2008	2007	2008	2007
Current liabilities					
Bank overdraft and short-term loans from financial institutions	14	85,000,000.00	22,949,790.53	85,000,000.00	22,949,790.53
Trade account payables					
- Related companies	5	8,700,565.24	46,419,213.77	6,980,264.58	44,742,281.16
- Other companies		103,709,417.89	117,688,821.98	103,645,276.74	117,688,821.98
Current portion of liabilities under hire-purchase agreements	16	1,522,969.73	764,650.08	1,374,596.31	603,400.08
Accrued expenses	5	28,163,980.20	26,969,599.35	27,230,397.45	24,586,741.22
Accrued income tax		8,635,470.06	10,707,160.07	7,484,129.03	8,520,901.85
Other current liabilities		5,131,584.30	4,320,186.46	4,174,683.00	3,378,965.38
Total current liabilities		240,863,987.42	229,819,422.24	235,889,347.11	222,470,902.20
Non-current liabilities					
Long-term loans from financial institution	15	20,156,000.00	-	20,156,000.00	-
Liabilities under hire-purchase agreements, net	16	855,315.12	599,582.90	439,725.29	452,549.90
Total non-current liabilities		20,595,725.29	599,582.90	20,595,725.29	452,549.90
Total liabilities		261,459,712.71	230,419,005.14	256,485,072.40	222,923,452.10

Notes to financial statements form an integral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS (CONT.)
AS AT DECEMBER 31, 2008 AND 2007

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

	Note	Baht			
		Consolidated balance sheets		Separate balance sheets	
		2008	2007	2008	2007
Shareholders' equity					
Share capital	17				
Registered share capital					
307,000,000 ordinary shares of Baht 1.00 each		307,000,000.00	307,000,000.00	307,000,000.00	307,000,000.00
Issued and paid-up shares capital					
204,358,156 ordinary shares of Baht 1.00 each		204,358,156.00		204,358,156.00	
201,208,938 ordinary shares of Baht 1.00 each			201,208,938.00		201,208,938.00
Premium on share capital		111,416,500.00	111,416,500.00	111,416,500.00	111,416,500.00
Share subscription received in advance	17	11,568,400.00	-	11,568,400.00	-
Currency translation changes of the financial statements of					
foreign entity		1,874,808.02	-	-	-
Retained earnings					
Appropriated					
- legal reserve	18	12,321,000.00	10,011,000.00	12,321,000.00	10,011,000.00
- treasury shares reserve	19	33,117,774.23	-	33,117,774.23	-
Unappropriated		65,925,727.16	91,498,411.56	63,443,570.99	87,127,665.80
Total shareholders' equity of the company		440,582,365.41	414,134,849.56	436,225,401.22	409,764,103.80
<u>Less</u> treasury shares	19	(33,117,774.23)	-	(33,117,774.23)	-
Total shareholders' equity		407,464,591.18	414,134,849.56	403,107,626.99	409,764,103.80
Minority interest in subsidiaries		38,333,313.49	18,025,212.62	-	-
Total shareholders equity		445,797,904.67	432,160,062.18	403,107,626.99	409,764,103.80
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		707,257,617.38	662,579,067.32	659,592,699.39	632,687,555.90

Notes to financial statements form an intergral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Note	Baht			
		Consolidated statements of income		Separate statement of income	
		2008	2007	2008	2007
Revenues					
Sales	5	672,372,385.86	694,026,456.41	650,264,238.43	656,238,817.05
Dividend income	5	-	-	10,196,000.00	15,294,000.00
Other income		20,309,688.76	4,420,229.04	25,217,259.79	7,744,618.59
Share of net profit in associated company		14,074,718.10	-	-	-
Total revenues		706,756,792.72	698,446,685.45	685,677,498.22	679,277,435.64
Expenses					
Cost of sales	5	473,884,776.42	477,147,082.81	482,124,250.41	470,684,586.63
Selling and administrative expenses	5	165,647,536.01	147,558,910.09	140,489,932.60	132,737,047.07
Total expenses		639,532,312.43	624,705,992.90	622,614,183.01	603,421,633.70
Profit before interest expenses and income tax		67,224,480.29	73,740,692.55	63,063,315.21	75,855,801.94
Interest expenses		3,483,569.33	435,702.21	3,434,839.29	435,702.21
Income tax	25	16,376,571.52	19,840,976.94	13,447,949.88	15,803,880.39
Net profit		47,364,339.44	53,464,013.40	46,180,526.04	59,616,219.34
Net profit attributable to :					
Shareholders of the parent		44,291,936.45	49,322,056.46	46,180,526.04	59,616,219.34
Minority interest in subsidiaries		3,072,402.99	4,141,956.94	-	-
Basic earnings per share					
Net profit of shareholders of the parent	21	0.22	0.25	0.23	0.30
Diluted earnings per share					
Net profit of shareholders of the parent	21	0.18	0.20	0.18	0.24

Notes to financial statements form an intergral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Baht												
Consolidated statement changes in shareholder 's equity												
Sharholders' equity of the parent									Minority interest			
	Share capital issued and paid-up	Premium on share capital	Share subscription received in advance	Currency translation of the financial statements of foreign entity	Retained earnings		Unappropriated	Treasury shares	Total	Minority interest in subsidiaries	Total	
					Appropriated	Treasury shares						
Note					- legal reserve	reserve						
	Beginning balance, 2007	#####	111,416,500.00	-	-	6,995,500.00	-	79,191,855.10	-	397,603,855.10	23,684,255.68	421,288,110.78
	Increase in share capital from											
	exercise of warrants	17	1,208,938.00							1,208,938.00	-	1,208,938.00
	Legal reserve	18				3,015,500.00		(3,015,500.00)		-	-	-
	Dividend paid	20						(34,000,000.00)		(34,000,000.00)	(14,706,000.00)	(48,706,000.00)
	Net profit for the year							49,322,056.46		49,322,056.46	4,141,956.94	53,464,013.40
	Increase in minority interest in											
	subsidiaries									-	4,905,000.00	4,905,000.00
	Ending balance, 2007	#####	111,416,500.00	-	-	10,011,000.00	-	91,498,411.56	-	414,134,849.56	18,025,212.62	432,160,062.18
	Increase in share capital from											
	exercise of warrants	17	3,149,218.00							3,149,218.00	-	3,149,218.00
	Share subscription received in											
	advance from exercise of warrants	17		11,568,400.00						11,568,400.00	-	11,568,400.00
	Currency translation changes of the											
	financial statements of foreign entity				1,874,808.02					1,874,808.02	1,149,075.88	3,023,883.90
	Treasury shares	19							(33,117,774.23)	(33,117,774.23)	-	(33,117,774.23)
	Treasury shares reserve	19					33,117,774.23	(33,117,774.23)		-	-	-
	Legal reserve	18				2,310,000.00		(2,310,000.00)		-	-	-
	Dividend paid	20						(34,436,846.62)		(34,436,846.62)	(9,804,000.00)	(44,240,846.62)
	Net profit for the year							44,291,936.45		44,291,936.45	3,072,402.99	47,364,339.44
	Increase in minority interest in											
	subsidiaries									-	25,890,622.00	25,890,622.00
	Ending balance, 2008	#####	111,416,500.00	11,568,400.00	1,874,808.02	12,321,000.00	33,117,774.23	65,925,727.16	(33,117,774.23)	407,464,591.18	38,333,313.49	445,797,904.67

Notes to financial statements form an intergral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

		Baht							
		Separate statement of changes in shareholder's equity							
	Note	Share capital issued and paid-up	Premium on share capital	Share subscription received in advance	Retained earnings		Treasury shares	Total	
					Appropriated				Unappropriated
					- legal reserve	Treasury shares reserve			
Beginning balance, 2007		200,000,000.00	111,416,500.00	-	6,995,500.00	-	64,526,946.46	-	382,938,946.46
Increase in share capital from									
exercise of warrants	17	1,208,938.00							1,208,938.00
Legal reserve	18				3,015,500.00		(3,015,500.00)		-
Dividend paid	20						(34,000,000.00)		(34,000,000.00)
Net profit for the year							59,616,219.34		59,616,219.34
Ending balance, 2007		201,208,938.00	111,416,500.00	-	10,011,000.00	-	87,127,665.80	-	409,764,103.80
Increase in share capital from									
exercise of warrants	17	3,149,218.00							3,149,218.00
Share subscription in advance from									
from exercise of warrants	17			11,568,400.00					11,568,400.00
Treasury shares	19							(33,117,774.23)	(33,117,774.23)
Treasury shares reserve	19					33,117,774.23	(33,117,774.23)		-
Legal reserve	18				2,310,000.00		(2,310,000.00)		-
Dividend paid	20						(34,436,846.62)		(34,436,846.62)
Net profit for the year							46,180,526.04		46,180,526.04
Ending balance, 2008		204,358,156.00	111,416,500.00	11,568,400.00	12,321,000.00	33,117,774.23	63,443,570.99	(33,117,774.23)	403,107,626.99

Notes to financial statements form an intergral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Baht			
	Consolidated		Separate	
	statements of cash flows		statements of cash flows	
	2008	2007	2008	2007
<u>Cash flows from operating activities</u>				
Net profit	47,364,339.44	53,464,013.40	46,180,526.04	59,616,219.34
Items to reconcile net profit to net cash provided by (used in) operating activities :				
Doubtful accounts	306,591.15	-	306,591.15	-
Depreciation and amortization	29,484,972.01	31,119,180.78	27,865,128.60	30,250,361.97
Loss on declining value of inventories	4,838,341.65	656,506.57	3,258,434.87	132,192.57
Gain on sale of fixed assets	(3,068,174.37)	(387,294.37)	(4,184,238.45)	(159,217.08)
Share of net profit in associated company	(14,074,718.10)	-	-	-
Dividend income	-	-	(10,196,000.00)	(10,705,800.00)
Interest income	(231,936.32)	(1,011,540.73)	(58,284.49)	(902,578.26)
Interest expenses	3,483,569.33	435,702.21	3,434,839.29	435,702.21
Income tax	16,376,571.52	19,840,976.94	13,447,949.88	15,803,880.39
Net profit from operations before changes in operating assets and liabilities	84,479,556.31	104,117,544.80	80,054,946.89	94,470,761.14
(Increase) decrease in operating assets				
Trade account and note receivables	39,121,268.31	(19,858,332.83)	25,763,124.41	(43,049,460.59)
Inventories	(1,996,904.05)	(38,028,480.19)	12,598,590.86	(38,635,525.10)
Other current assets	(3,873,021.01)	406,613.52	2,142,444.68	(276,522.10)
Other non-current assets	(4,141.20)	8,580.00	13,400.00	(3,920.00)
Increase (decrease) in operating liabilities				
Trade account payables	(51,698,052.62)	53,854,851.93	(51,805,561.82)	53,201,938.82
Accrued expenses	337,940.10	(2,739,142.78)	1,787,215.48	(4,967,286.73)
Other current liabilities	811,397.84	1,426,754.72	795,717.62	683,668.55
Cash received (paid) from operating	67,178,043.68	99,188,389.17	71,349,878.12	61,423,653.99
Income tax paid	(18,448,261.53)	(18,560,782.14)	(14,484,722.70)	(14,630,335.49)
Net cash provided by (used in) operating activities	48,729,782.15	80,627,607.03	56,865,155.42	46,793,318.50

Notes to financial statements form an integral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONT.)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Baht			
	Consolidated		Separate	
	statements of cash flows		statements of cash flows	
	2008	2007	2008	2007
<u>Cash flows from investing activities</u>				
Cash received from interest	231,936.32	1,011,540.73	58,284.49	902,578.26
Decrease in current investments	-	53,824,295.68	-	48,824,295.68
Cash paid for investment in subsidiaries	-	-	(44,137,128.00)	(5,095,000.00)
Cash paid for investment in associated company	(32,784,300.00)	-	(32,784,300.00)	-
Cash paid for long - term investments	-	(1,960,000.00)	-	(1,960,000.00)
Cash received from dividend	-	-	10,196,000.00	10,705,800.00
Cash received from sale of fixed assets	12,231,455.67	431,584.43	11,846,408.94	197,939.57
Cash paid for purchases of fixed assets	(22,513,074.43)	(93,394,805.18)	(18,747,444.61)	(92,386,067.38)
Cash paid for intangible asset	(7,217,233.08)	-	(7,217,233.08)	-
Cash paid for leasehold right	(27,990,331.00)	-	-	-
Net cash provided by (used in) investing activities	<u>(78,041,546.52)</u>	<u>(40,087,384.34)</u>	<u>(77,785,412.26)</u>	<u>(38,810,453.87)</u>
<u>Cash flows from financing activities</u>				
Cash paid for interest	(3,483,569.33)	(435,702.21)	(3,434,839.29)	(435,702.21)
Increase in overdraft and short-term loans from financial institutions	62,050,209.47	22,949,790.53	62,050,209.47	22,949,790.53
Cash received from long-term loans from financial institution	20,156,000.00	-	20,156,000.00	-
Cash paid for hire - purchase agreements	(1,244,537.96)	(164,138.94)	(1,084,628.38)	(150,850.02)
Cash received from issued ordinary shares	25,890,622.00	4,905,000.00	-	-
Cash received from exercise of warrants	14,717,618.00	1,208,938.00	14,717,618.00	1,208,938.00
Cash paid for dividend	(44,240,846.62)	(48,706,000.00)	(34,436,846.62)	(34,000,000.00)
Cash paid for treasury shares	(33,117,774.23)	-	(33,117,774.23)	-
Net cash provided by (used in) financing activities	<u>40,727,721.33</u>	<u>(20,242,112.62)</u>	<u>24,849,738.95</u>	<u>(10,427,823.70)</u>
Increase in currency transtation changes of financial statements of foreign entiry	1,503,354.53	-	-	-
Net increase (decrease) in cash and cash equivalents	12,919,311.49	20,298,110.07	3,929,482.11	(2,444,959.07)
Cash and cash equivalents, at beginning of year	65,550,692.48	45,252,582.41	31,379,526.98	33,824,486.05
Cash and cash equivalents, at end of year	<u>78,470,003.97</u>	<u>65,550,692.48</u>	<u>35,309,009.09</u>	<u>31,379,526.98</u>
<u>Supplemental disclosures of cash flows information :</u>				
Non-monetary transactions				
The acquisition of vehicle by entering into hire-purchase agreements	1,843,000.00	1,525,686.08	1,843,000.00	1,206,800.00

Notes to financial statements form an intergral part of these statements.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. GENERAL INFORMATION

(a) Legal status and address

The Company was registered to be a limited Company on September 8, 1965. The Company was converted to a public company limited on March 14, 2005.

The address of its registered office is as follows:

Head office : located at 7/1-2 Moo 1 Tombol Panthong, Amphur Panthong,
Chonburi, Thailand.

Branch : located at 312 Soi Senanikom 1, Phaholyothin Road, Chankasem
Jatujak, Bangkok, Thailand.

(b) Nature of the Company's business and major shareholder

Main business activities of the Company are manufacturing and selling of industrial paints. Products include off-set inks, motorcycle paints, plastic paints (discontinued since January 1, 2008), packaging coatings and others.

The company's major shareholder is Eksang holdings Co., Ltd. who held 46.68% of the paid-up share capital (as Eksang holdings Co., Ltd. held 100% by Eksangkul family) and the rest 9.71% is held by the person from Eksangkul family, making up 56.39% in total shareholding.

(c) Supplemental disclosures of expense information

Supplemental disclosures of expense information are as following :-

	Baht			
	Consolidated statements of income		Separate statements of income	
	2008	2007	2008	2007
Depreciation and amortization	29,484,972.01	31,119,180.78	27,865,128.60	30,250,361.97
Employee benefit cost	66,431,023.00	59,088,938.74	60,040,327.02	58,744,625.74

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

2. BASIS FOR FINANCIAL STATEMENTS PREPARATION

2.1 The financial statements have been prospered in accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of financial statements has been made compliance with the stipulations of the Department of Business Development B.E. 2544, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis for consolidation

2.2.1 The consolidated financial statements are prepared by including the Company's financial statements and the three subsidiaries financial statements as follows:-

Company	Located	Main business	Percentage of holding	
			2008	2007
N.O.F (Thailand) Ltd.	312 Soi Phaholyothin 32, Phaholyothin Road, Chankasem Jatujak, Bangkok, Thailand.	Trading of industrial paints products for motorcycle	50.98	50.98
Eason Watson Coating Ltd.	402/3 Soi Phaholyothin 32, Phaholyothin Road, Chankasem Jatujak, Bangkok, Thailand.	Trading of industrial paints products for packaging coatings	50.95	50.95
Eason Urai Paint Co., Ltd.	Noi Bai Industrial Zone, Hanoi City, the Socialist Republic of Vietnam	Manufacturing and selling of automotive, industrial paint and other	62.00	62.00

The financial statements of overseas subsidiary is translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of "Currency translation changes of the financial statements of foreign entity" in shareholders' equity.

2.2.2 The acquisition of subsidiaries was recorded by purchase method.

2.2.3 Significant intercompany transactions between the Company and subsidiaries have been eliminated.

2.2.4 The consolidated financial statements are prepared by using uniform accounting policies. So that the transaction and the others event which are the same or the similar circumstances have been used the identical policies to record those transaction.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

3. Adoption of new accounting standards during the year

3.1 The Federation of Accounting Professions (FAP) has issued Notification No. 9/2550, No. 38/2550 and No.62/2550 regarding Thai Accounting Standards (TAS), which were announced in the Royal Gazette. These Notifications mandate the use of the following Thai Accounting Standards (amended 2007) in place of the previous versions, which are cancelled. These Thai Accounting Standards (revised version) are effective for the fiscal years beginning on or after January 1, 2008.

TAS 25 Cash Flow Statements

TAS 29 Leases

TAS 31 Inventories

TAS 33 Borrowing Costs

TAS 35 Presentation of Financial Statements

TAS 39 Accounting Policies, Changes in Accounting Estimates and Errors

TAS 41 Interim Financial Reporting

TAS 43 Business Combinations

TAS 49 Construction Contracts

TAS 51 Intangible Assets (newly issued)

The management of the Company has assessed the effect of these revised and newly issued accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

3.2 The Federation of Accounting Professions (FAP) has issued Notification No. 86/2551 regarding Thai Accounting Standards (TAS), which were announced in the Royal Gazette. These Notifications mandate the use of the following Thai Accounting Standards (amended 2007) in place of the previous versions, which are cancelled. These Thai Accounting Standards (revised version) are effective for the fiscal years beginning on or after January 1, 2009.

TAS 36 Impairment of Assets

TAS 54 Non-current Assets Held for Sales and Discontinued Operations

The management of the Company has assessed the effect of these revised and newly issued accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Recognition of revenues and expenses

The Company and its subsidiaries and its subsidiaries recognize the revenues on sales when the significant risks and rewards of ownership of goods to the customers.

The Company recognizes service income upon services rendered to the customers.

The Company recognizes rental and service income in accordance with a term in contract, at the rate stipulated in contract.

The Company and its subsidiaries recognize expenses on the accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits at financial institutions, excluded time deposit at bank and cash at banks which are used for guarantee.

4.3 Allowance for doubtful accounts

The Company and its subsidiaries provide allowance for doubtful account equal to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

4.4 Inventories

Inventories are valued at the lower of cost or net realizable value.

The Company is determined as following :-

Raw materials and supplies	- the first-in first-out method (FIFO)
Work in process and finished goods	- the specific identification method

The Subsidiaries are determined as following :-

Finished goods	- the first-in first-out method (FIFO)
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The net realizable value of inventory is estimated from selling price in the ordinary course of business, less the estimated costs to complete the sale.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

4.5 Long-term investments

Investment in associated company is stated at equity method in the consolidated financial statements.

Investments in subsidiaries and associated company are stated at cost in the separate financial statements.

Investment in non-marketable equity securities is classified as general investment and stated at cost less allowance on impairment (if any).

4.6 Property, plant and equipment

Land are stated at cost and less allowance on impairment (if any).

Plant and equipment are stated at cost after deducted accumulated depreciation and allowance on impairment (if any).

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, as following :-

<u>Type of assets</u>	<u>The estimated useful lives</u>
Building and building for lease	5, 20 years
Machinery equipment	5 years
Lab equipment	5 years
Electric equipment	5 years
Office equipment	5 years
Office decoration	5 years
Vehicle	5 years

4.7 Intangible assets

Technical license is stated at cost less accumulated amortization and allowance on impairment (if any). Amortization is calculated by the straight-line method over the period for which the assets are expected to generate economic benefit 5 - 10 years.

Computer software is stated at cost less accumulated amortization. Amortization is calculated by the straight-line method over the period for which the assets are expected to generate benefit 10 years.

4.8 Leasehold right

Leasehold right is stated at cost less accumulated amortization. Amortization is calculated by the straight-line method over the lease period.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

4.9 Hire purchase

The Company and its subsidiaries record vehicles under hire purchase contracts at their fair value as at the inception of the lease, and records future rental payment obligations under the contracts (minus the interest portion) as liabilities.

The Company and its subsidiaries amortized deferred interest on hire purchase contracts by effective rate of interest over the period of contracts.

4.10 Operating lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

4.11 Foreign currency conversions

Foreign currency assets and liabilities are converted into Thai Baht at rates of exchange ruling on the balance sheet date. Transactions during the year are translated at rates prevailing on the transaction date.

Gains or losses on exchange are credited or charged to current operations. Transactions covered by forward exchange contract are translated into Thai Baht at the forward contract rates.

4.12 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

4.13 Employee benefits

The Company and its subsidiaries recognizes salary, overtime, bonus, social securities and provident fund as expenses when incurred.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

4.14 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

4.15 Treasury shares

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury shares are determined by reference to the carrying amount and are presented as premium on treasury shares. Losses on disposal of treasury shares are determined by reference to the carrying amount and are presented in premium on treasury share and retained earnings, consecutively.

4.16 Income tax

Corporate income tax is calculated from net income for the years adjusted by the items defined under the Revenue Code as taxable or non-taxable income and expense.

Overseas subsidiary calculates corporate income tax in accordance with tax rates mandated under the tax law of those country.

5. TRANSACTIONS WITH RELATED COMPANIES

	Nature of business	Country of incorporation	Relationship
<u>Subsidiary companies</u>			
N.O.F (Thailand) Ltd.	Trading industrial paints products for motorcycle	Thailand	50.98% of holding, Co - Director/Shareholder
Eason Watson Coating Ltd.	Trading industrial paints products for packaging coatings	Thailand	50.95% of holding, Co - Director/Shareholder
Eason Urai Paint Co., Ltd.	Manufacturing and selling of automotive, industrial paint and other	Vietnam	62% of holding Co - Director/Shareholder
<u>Associated company</u>			
Origin Eason Paint Co., Ltd.	Trading plastic and chemical paints	Thailand	39.80% of holding Co - Director/Shareholder
<u>Related companies</u>			
Eksang holdings Co., Ltd.	Rental of office and warehouse	Thailand	49.33% of holding in the Company
BASF Coating Japan Co., Ltd.	Manufacturing and selling of motorcycle paints products	Japan	40% of holding in subsidiary company
Watson Standard Asia Inc.	Manufacturing and selling of industrial paints products	America	49% of holding in subsidiary company
Urai commercial Co., Ltd.	Manufacturing and selling of industrial paints products	Thailand	30% of holding in subsidiary company

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

Pricing policy

- | | |
|----------------|---|
| Selling income | <ul style="list-style-type: none">- Cost - plus pricing to comply with the trading agreement with the owner's chemical formula of production, the Company has to sell the product, which is produced from such formula, to a subsidiary. The subsidiary is the only one selling agent of the product in Thailand. As a result, the Company could not find the market price to compare with the Company's selling price. However, the Company has certain right to determine the mark up rate by themselves based on both of the pricing policy and the market situation at that moment. |
| Rental income | <ul style="list-style-type: none">- Warehouse and office rental depending on actual space are approximately Baht 15,564 - 400,000 per month in accordance with agreements. (Year 2007 : Rental of Baht 7,500 - 70,000 per month) |
| Service income | <ul style="list-style-type: none">- Logistics services including the related administrative work in lum-sum are approximately Baht 6,080 - 150,000 per month plus increase in transport form the agreed rate of fuel cost in accordance with agreements (Year 2007 : Services fee of Baht 5,000 - 150,000 per month).- Administrative fee at Baht 1,200,000 per year. |
| Purchasing | <ul style="list-style-type: none">- Market value except licensed raw materials are agreed upon pricing method. |
| Rental charge | <ul style="list-style-type: none">- Office and warehouse rental are charged at Baht 107,000-321,000 per month in accordance with agreements. (Year 2007 : Rental charge of Baht 82,000-107,000 per month) |
| Other expenses | <ul style="list-style-type: none">- Technical and royalty fee are charged in the certain rate as indicated on the agreement.- Raw materials for research and development are charged at market value. |

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

The Company has significant transactions with its related companies as follows :

	Baht			
	Consolidated statements of income		Separate statements of income	
	2008	2007	2008	2007
<u>Transactions in the statement of income</u>				
Sales				
N.O.F (Thailand) Ltd.	-	-	407,786,138.02	315,642,839.68
Eason Watson Coating Co., Ltd.	-	-	86,009,808.20	-
BASF Coating Japan Co., Ltd.	167,275.77	-	167,275.77	-
Origin Eason Paint Co., Ltd.	58,628,026.32	186,951,959.80	58,628,026.32	186,951,959.80
	<u>58,795,302.09</u>	<u>186,951,959.80</u>	<u>552,591,248.31</u>	<u>502,594,799.48</u>
Rental income				
N.O.F (Thailand) Ltd.	-	-	1,462,612.80	886,693.20
Eason watson coating Co., Ltd.	-	-	57,600.00	-
Origin eason paint Co., Ltd.	5,880,000.00	90,000.00	5,880,000.00	90,000.00
	<u>5,880,000.00</u>	<u>90,000.00</u>	<u>7,400,212.80</u>	<u>976,693.20</u>
Service income				
N.O.F (Thailand) Ltd.	-	-	2,771,245.00	1,878,342.00
Eason Watson Coating Ltd.	-	-	1,218,240.00	690,000.00
Origin eason paint Co., Ltd.	4,901,015.16	107,076.40	4,901,015.16	107,076.40
	<u>4,901,015.16</u>	<u>107,076.40</u>	<u>8,890,500.16</u>	<u>2,675,418.40</u>
Dividend income				
N.O.F. (Thailand) Ltd.	-	-	10,196,000.00	15,294,000.00
	<u>-</u>	<u>-</u>	<u>10,196,000.00</u>	<u>15,294,000.00</u>
Gain a sale of fixed asset				
Origin Eason Paint Co., Ltd.	2,258,629.74	-	3,751,876.65	-
	<u>2,258,629.74</u>	<u>-</u>	<u>3,751,876.65</u>	<u>-</u>
Purchases				
Origin eason paint Co., Ltd.	5,569,529.08	107,798,668.67	5,569,529.08	107,798,668.67
BASF Coating Japan Co., Ltd.	10,469,554.77	7,983,901.53	5,014,006.95	3,222,100.89
Watson Standard Asia Inc.	7,571,874.50	1,643,559.37	7,571,874.50	1,643,559.37
	<u>23,610,958.35</u>	<u>117,426,129.57</u>	<u>18,155,410.53</u>	<u>112,664,328.93</u>
Rental expense				
Eksang holdings Co., Ltd.	4,659,000.00	1,840,000.00	4,659,000.00	1,840,000.00
	<u>4,659,000.00</u>	<u>1,840,000.00</u>	<u>4,659,000.00</u>	<u>1,840,000.00</u>
Other expense				
Origin Eason Paint Co., Ltd.	-	763,000.00	-	763,800.00
BASF Coating Japan Co., Ltd.	19,475,041.51	15,182,467.16	16,932,144.01	13,204,341.56
	<u>19,475,041.51</u>	<u>15,945,467.16</u>	<u>16,932,144.01</u>	<u>13,968,141.56</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
<u>Outstanding balances at the balance sheet dates</u>				
Trade account and note receivables				
N.O.F (Thailand) Ltd.	-	-	88,530,066.28	66,052,577.50
Eason Watson Coating Ltd.	-	-	25,844,924.97	-
Origin Eason Paint Co., Ltd.	-	60,485,426.64	-	60,485,426.64
BASF Coating Japan Co., Ltd.	156,636.52	-	156,636.52	-
	<u>156,636.52</u>	<u>60,485,426.64</u>	<u>114,531,627.77</u>	<u>126,538,004.14</u>
Service income receivable				
N.O.F (Thailand) Ltd.	-	-	3,869.12	78,342.00
Eason Watson Coating Ltd.	-	-	100,000.00	100,000.00
Origin Eason Paint Co., Ltd.	652,800.83	43,289.70	652,800.83	43,289.70
	<u>652,800.83</u>	<u>43,289.70</u>	<u>756,669.95</u>	<u>221,631.70</u>
Rental income receivable				
N.O.F (Thailand) Ltd.	-	-	-	46,693.20
Origin Eason Paint Co., Ltd.	1,016,000.00	-	1,016,000.00	-
	<u>1,016,000.00</u>	<u>-</u>	<u>1,016,000.00</u>	<u>46,693.20</u>
Advance payment				
Eason Watson Coating Ltd.	-	-	29,981.00	
Eason Urai Paint Co., Ltd.	-	-	57,872.20	-
	<u>-</u>	<u>-</u>	<u>81,853.20</u>	<u>-</u>
Trade account payables				
Origin Eason Paint Co., Ltd.	3,713,373.25	41,927,150.38	3,713,373.25	41,927,150.38
BASF Coating Japan Co., Ltd.	3,045,094.72	2,848,504.02	1,324,794.06	1,171,571.41
Watson Standard Asia Inc.	1,942,097.27	1,643,559.37	1,942,097.27	1,643,559.37
	<u>8,700,565.24</u>	<u>46,419,213.77</u>	<u>6,980,264.58</u>	<u>44,742,281.16</u>
Accrued expense				
BASF Coating Japan Co., Ltd.	16,932,144.01	8,728,101.40	16,932,144.01	6,749,975.80

Directors and managements' remuneration

The Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 26.82 million for the year 2008 and Baht 24.92 million for the year 2007.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of :-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Cash on hand	260,907.17	157,064.90	153,744.46	147,171.90
Cheques in hand	13,834,780.93	24,597,259.51	13,834,780.93	24,597,259.51
Cash at banks - current account	55,741,539.55	20,080,050.97	20,001,939.80	708,171.23
Cash at banks - savings account	8,632,776.32	20,716,317.10	1,318,543.90	5,926,924.34
Total	<u>78,470,003.97</u>	<u>65,550,692.48</u>	<u>35,309,009.09</u>	<u>31,379,526.98</u>

7. TRADE ACCOUNT AND NOTE RECEIVABLES

Trade account and note receivables consisted of:-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Trade note receivables	4,486,354.87	5,863,224.86	4,216,003.34	5,863,224.86
Trade account receivables	113,454,246.05	151,198,644.37	145,694,791.06	169,923,639.92
Total	117,940,600.92	157,061,869.23	150,023,740.37	175,786,864.78
<u>Less allowance for doubtful account</u>	<u>(306,591.15)</u>	<u>-</u>	<u>(306,591.15)</u>	<u>-</u>
Net	<u>117,634,009.77</u>	<u>157,061,869.23</u>	<u>149,717,149.22</u>	<u>175,786,864.78</u>

Trade account and note receivables-related companies are classified by aging as follows :-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Within credit term	-	60,485,426.64	49,227,261.75	82,113,608.42
Overdue 0 day to 30 days	156,636.52	-	61,740,665.46	28,011,475.26
Overdue 31 days to 60 days	-	-	3,563,700.56	16,412,920.46
Overdue 61 days to 90 days	-	-	-	-
Overdue 91 days to 180 days	-	-	-	-
Overdue 181 days to 360 days	-	-	-	-
Total	<u>156,636.52</u>	<u>60,485,426.64</u>	<u>114,531,627.77</u>	<u>126,538,004.14</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

Trade account and note receivables-other companies are classified by aging as follows :-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Within credit term	94,652,515.69	58,498,882.85	21,053,583.03	28,243,285.72
Overdue 0 day to 30 days	12,201,583.76	28,685,000.23	5,845,830.31	12,062,897.98
Overdue 31 days to 60 days	6,249,197.18	3,581,630.26	4,033,362.00	3,131,747.69
Overdue 61 days to 90 days	904,762.38	2,285,515.72	793,054.38	2,285,515.72
Overdue 91 days to 180 days	1,583,096.03	2,703,656.74	1,583,096.03	2,703,656.74
Overdue 181 days to 360 days	1,886,218.21	821,756.79	1,876,595.70	821,756.79
Overdue 361 days onward	306,591.15	-	306,591.15	-
Total	117,783,964.40	96,576,442.59	35,492,112.60	49,248,860.64
<u>Less</u> allowance for doubtful account	(306,591.15)	-	(306,591.15)	-
Net	117,477,373.25	96,576,442.59	35,185,521.45	49,248,860.64

8. INVENTORIES

Inventories consisted of:-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Finished goods	66,444,732.96	47,708,655.80	33,785,642.52	27,695,579.49
Work in process	2,696,764.65	1,691,774.43	2,696,764.65	1,691,774.43
Raw materials	91,355,925.04	114,884,139.92	90,169,828.26	114,884,139.92
Supplies	595,576.93	1,478,010.48	595,576.93	1,478,010.48
Package	2,489,888.63	1,551,507.69	2,489,888.63	1,551,507.69
Total	163,582,888.21	167,314,088.32	129,737,700.99	147,301,012.01
<u>Less</u> allowance for declining inventories	(2,380,500.27)	(3,270,262.78)	(476,593.49)	(2,182,878.78)
Net	161,202,387.94	164,043,825.54	129,261,107.50	145,118,133.23

9. INVESTMENTS

Investments consisted of: -

	Baht									
	Number of share		Percentage of holding		Consolidated balance sheets					
					At equity		At cost		Dividend	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<u>Associated company</u>										
Origin Eason Paint Co., Ltd.	119,400		39.80		48,305,771.19		35,724,300.00		-	
<u>General investment</u>										
Origin Eason Paint Co., Ltd.		29,400		9.80	-		2,940,000.00		-	

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

	Baht									
	Number of share		Percentage of holding		Separate balance sheets					
	2008	2007	2008	2007	At equity		At cost		Dividend	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<u>Subsidiary companies</u>										
N.O.F (Thailand) Ltd.	10,196	10,196	50.98	50.98	(8,393,496.89)	6,154,127.87	1,019,600.00	1,019,600.00	10,196,000.00	15,294,000.00
Eason Watson Coating Ltd.	5,095	5,095	50.95	50.95	6,036,996.67	4,331,217.89	5,095,000.00	5,095,000.00	-	-
Eason Urai Paint Co., Ltd.	1,240	-	62.00	-	39,508,913.20	-	41,137,128.00	-	-	-
Total					<u>37,152,412.98</u>	<u>10,485,345.76</u>	<u>47,251,728.00</u>	<u>6,114,600.00</u>		
<u>Associated company</u>										
Origin Eason Paint Co., Ltd.	119,400		39.80		<u>48,305,771.19</u>	-	<u>35,724,300.00</u>	-		
<u>General investment</u>										
Origin Eason Paint Co., Ltd.		29,400		9.80			-	<u>2,940,000.00</u>		-

Investments in subsidiary - N.O.F. (Thailand) Co., Ltd.

At the extraordinary general meeting of shareholders No. 1/2009 of N.O.F. (Thailand) Co., Ltd., a subsidiary held on January 2, 2009, the shareholders unanimously approved to sell the business in trading of the Company's product, manufactured under license from a foreign company to BASF (Thai) Limited, which included customer lists, marketing datas and working capital (such as trade accounts receivable and inventories less the trade accounts payable) at the price of net book value as at December 31, 2008. As above subsidiary has the reorganize and change the nature of business in 2009.

At the Company's directors meeting No.5/2008 held on December 9, 2008, the directors approved to increase the proportion of shareholding in N.O.F. (Thailand) Co.,Ltd. On January 7, 2009, the Company bought 8,000 ordinary shares of N.O.F. (Thailand) Co.,Ltd. in the amount of Baht 17.48 million and at the Company's directors meeting No. 1/2009 held on January 22, 2009, the directors approved to buy additionally 1,800 ordinary shares of N.O.F. (Thailand) Co.,Ltd. in the amount of Baht 5.20 million. The Company bought the such shares on February 10, 2009. The Company has total of 19,996 shares of N.O.F. (Thailand) Co.,Ltd. with percentage of shareholding 99.98%.

Investments in subsidiary - Eason Urai Paint Co., Ltd.

At the Board of Directors' meeting No. 8/2550 held on November 12, 2007, the Board approved to set up Eason Urai Paint Co., Ltd. in Vietnam. According to the joint venture memorandum of understanding, the Company shall invest in amount of USD 1,240,000, at the rate 62% of the initial capital. In the year 2008 the Company paid fully amount of share capital.

The financial statements of Eason Urai Paint Co., Ltd., an overseas subsidiary included total assets as at December 31, 2008 of Baht 67.74 million and net loss for the year then ended of Baht 2.63 million in the consolidated statements, based on the financial statements, which were audited by other auditor.

Investments in associated - Origin Eason Paint Co., Ltd.

At the Board of Directors' meeting No. 7/2550 held on September 27, 2008, the Board approved to increase the proportion of shareholding in Origin Eason Paint Co., Ltd., the share price is the book value price calculated on September 30, 2007. The increase in amount of Baht 32.78 million represents 90,000 shares in total of Baht 364.27 each. As a result, in the Company's shareholding has increased from 29,400 shares to 119,400 shares with percentage of shareholding from 9.8% to 39.8%. The Company had already sold and delivered all the machinery, equipment, lab equipment, raw material and work in process for plastic coating to Origin Eason Paint Co., Ltd., an associate. This sub-segment of the Company has equipment at book value of Baht 7.47 million (At cost : Baht 19.53 million), raw material and work in process of Baht 57.28 million and Later, the Company had partially joined into the management of this company, after that such company changed into an associated company.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

Share of profit of Origin Eason Paint Co., Ltd., an associate, amount of Baht 14.07 million in the consolidated statement of income, based on the financial statements as at December 31, 2008 which were audited by other auditor.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of:-

	Baht			
	Consolidated balance sheets			
	Balance per book Dec. 31, 2007	Additions	Deductions	Balance per book Dec. 31, 2008
<u>At cost</u>				
Land	46,317,697.10	-	-	46,317,697.10
Building	137,680,334.88	3,941,142.17	-	141,621,477.05
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	81,555,002.69	6,329,967.57	(12,974,732.66)	74,910,237.60
Lab equipment	16,344,634.31	894,356.68	(1,813,646.71)	15,425,344.28
Electric equipment	5,543,637.88	1,215,439.74	(26,925.00)	6,732,152.62
Office equipment	20,560,635.74	2,416,193.90	(2,382,810.62)	20,594,019.02
Office decoration	16,372,937.12	1,103,039.91	(2,017,863.77)	15,458,113.26
Vehicle	42,226,241.95	4,560,148.96	(4,106,711.63)	42,679,679.28
Machinery and equipment in process	619,516.55	5,813,332.43	(2,340,247.00)	4,092,601.98
Building in progress	1,146,156.70	2,744,271.01	(2,356,204.19)	1,534,223.52
Total	389,278,670.49	29,017,892.37	(28,019,141.58)	390,277,421.28
<u>Less Accumulated depreciation</u>				
Building	16,461,310.85	5,734,474.76	-	22,195,785.61
Building for lease	3,773,744.85	1,094,104.89	-	4,867,849.74
Machinery and equipment	53,800,716.19	7,337,908.22	(8,948,446.95)	52,190,177.46
Lab equipment	10,851,969.62	1,505,102.37	(973,041.41)	11,384,030.58
Electric equipment	3,023,042.06	1,183,837.79	(19,259.47)	4,187,620.38
Office equipment	11,090,697.54	3,020,189.38	(1,553,918.29)	12,556,968.63
Office decoration	4,994,610.02	2,641,280.98	(1,081,857.79)	6,554,033.21
Vehicle	24,771,779.73	5,626,050.94	(3,110,765.34)	27,287,065.33
Total	128,767,870.86	28,142,949.33	(15,687,289.25)	141,223,530.94
Property, plant and equipment, net	260,510,799.63			249,053,890.34

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

	Baht			
	Separate balance sheets			
	Balance per book Dec. 31, 2007	Additions	Deductions	
<u>At cost</u>				
Land	46,317,697.10	-	-	46,317,697.10
Building	137,680,334.88	3,941,142.17	-	141,621,477.05
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	81,555,002.69	6,329,967.57	(12,974,732.66)	74,910,237.60
Lab equipment	16,344,634.31	894,356.68	(1,813,646.71)	15,425,344.28
Electric equipment	5,543,637.88	1,215,439.74	(26,925.00)	6,732,152.62
Office equipment	19,456,458.92	2,272,228.77	(2,322,003.14)	19,406,684.55
Office decoration	16,148,861.43	1,088,850.50	(1,997,052.77)	15,240,659.16
Vehicle	36,025,570.29	2,486,897.20	(3,283,711.63)	35,228,755.86
Machinery and equipment in process	619,516.55	5,813,332.43	(2,340,247.00)	4,092,601.98
Building in progress	1,146,156.70	1,210,047.49	(2,356,204.19)	-
Total	<u>381,749,746.32</u>	<u>25,252,262.55</u>	<u>(27,114,523.10)</u>	<u>379,887,485.77</u>
<u>Less Accumulated depreciation</u>				
Building	16,461,310.85	5,734,474.76	-	22,195,785.61
Building for lease	3,773,744.85	1,094,104.89	-	4,867,849.74
Machinery and equipment	53,800,716.19	7,337,908.22	(8,948,446.95)	52,190,177.46
Lab equipment	10,851,969.62	1,505,102.37	(973,041.41)	11,384,030.58
Electric equipment	3,023,042.06	1,183,837.79	(19,259.47)	4,187,620.38
Office equipment	10,235,388.75	2,909,198.20	(1,500,963.71)	11,643,623.24
Office decoration	4,813,188.46	2,628,083.18	(1,061,056.79)	6,380,214.85
Vehicle	19,880,300.43	5,123,547.14	(2,287,766.34)	22,716,081.23
Total	<u>122,839,661.21</u>	<u>27,516,256.55</u>	<u>(14,790,534.67)</u>	<u>135,565,383.09</u>
Property, plant and equipment, net	<u>258,910,085.11</u>			<u>244,322,102.68</u>

In 2008 the Company has leased out the building and warehouse space to an associate, which the building for lease has a book value as at December 31, 2008 of Baht 16.04 million. The term of the lease agreement is 3 years commencing from January 1, 2008, and the Company shall receive the rent monthly of Baht 0.40 million.

As at December 31, 2008 and 2007, the Company and its subsidiary have 6 vehicles for lease under hire-purchase agreements total book value of Baht 3.71 million and 2 vehicles for lease under hire-purchase agreements total book value of Baht 2.00 million, respectively. And the company has vehicles for leases under 5 hire-purchase agreements total book value of Baht 3.39 million and Baht 1.60 million, respectively.

As at December 31, 2008 and 2007, the fully depreciated plant and equipment that still in use were at cost as Baht 64.68 million and Baht 61.96 million, respectively for the consolidated financial statement and Baht 59.69 million and Baht 57.85 million, respectively for the separate financial statement.

As at December 31, 2008, the Company have to comply with certain conditions of loan agreement under the credit line of Baht 100 million (see Note 15) that the Company shall not create negative pledge on its land and construction including the plant, head office and machinery.

As at December 31, 2007, the Company's land and building with book value of Baht 158.81 million have been mortgaged as security for total credit line Baht 52 million from a local commercial bank (See Note 14). The loan collateral was already removed on September 22, 2008.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

11. LAND NOT USED IN OPERATION

Land not used in operation is valued at cost.

On October 29, 1995, the Company acquired the land located at Tambol Laharn, Amphur Pluakdeang, Rayong, area of 11-3-54 Rai. Until now the Company has not yet utilised this piece of land, and now the land is under process for sale.

12. INTANGIBLE ASSETS

Intangible assets consisted of :-

	Baht			
	Consolidate balance sheet/Separate balance sheets			
	Balance per book Dec. 31, 2007	Additions	Deductions	Balance per book Dec. 31, 2008
<u>At cost</u>				
Technical license	9,560,858.01	280,373.83	-	9,841,231.84
Computer software	-	3,769,225.00	-	3,769,225.00
Computer software in progress	-	4,024,075.00	-	4,024,075.00
Total	<u>9,560,858.01</u>	<u>8,073,673.83</u>	<u>-</u>	<u>17,634,531.84</u>
<u>Less Accumulated amortization</u>				
Technical license	9,560,857.01	32,710.28	-	9,593,567.29
Computer software	-	316,161.77	-	316,161.77
Total	<u>9,560,857.01</u>	<u>348,872.05</u>	<u>-</u>	<u>9,909,729.06</u>
Intangible assets, net	<u>1.00</u>			<u>7,724,802.78</u>

13. LEASEHOLD RIGHT

Leasehold right consisted of :-

	Baht			
	Consolidated balance sheets			
	Balance per book Dec. 31, 2007	Additions	Deductions	Balance per book Dec. 31, 2008
<u>At cost</u>				
Leasehold right - land	-	27,990,331.00	-	27,990,331.00
<u>Less Accumulated amortization</u>	-	993,150.63	-	993,150.63
	-	26,997,180.37	-	26,997,180.37
Currency translation changes of financial statements of foreign entity	-	1,520,529.37	-	1,520,529.37
Leasehold right, net	<u>-</u>			<u>28,517,709.74</u>

An overseas subsidiary company has signed a land lease agreement for a period of 35 years 6 months, expiring in April 2044. And the subsidiary paid advance rental totaling USD 840,500, the leasehold right is amortized as expense by the straight-line method for the period of the agreement.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

14. BANK OVERDRAFT AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdraft and short-term loans from financial institutions consisted of :

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Bank overdraft	-	2,949,790.53	-	2,949,790.53
Promissory note	85,000,000.00	20,000,000.00	85,000,000.00	20,000,000.00
Total	85,000,000.00	22,949,790.53	85,000,000.00	22,949,790.53

As at December 31, 2008 and 2007, the Company has total credit facilities Baht 250 million with four local commercial banks, consisting of bank overdrafts of Baht 55 million with interest at MOR per annum, promissory notes for credit lines of Baht 100 million with interest at MLR per annum, Letter of Guarantee Baht 5 million, Letter of Credit and Trust Receipt of Baht 80 million and Forward Contract Baht 10 million and USD 1.5 million. In 2007 these loans are guaranteed by the mortgage of the Company's land and plant in credit line of Baht 52 million. In 2008, the loan collateral was already removed, so that these loans is unsecured.

As at December 31, 2008 and 2007, the Company has short-term loans from three commercial banks in the form of promissory notes amount of Baht 85 million and Baht 20 million, with interest rate MLR - 1.00% to 1.50% per annum and 5.375% per annum, respectively.

As at December 31, 2008, a subsidiary company had the bank overdraft with a local commercial bank at the credit limit of Baht 5 million, with the interest rate at MOR per annum is unsecured. The subsidiary company shall have to maintain the proportion of shareholding as specified in the agreement.

15. LONG-TERM LOAN FROM FINANCIAL INSTITUTION

As at December 31, 2008, the Company has a long-term loan amounted to Baht 20.16 million, as part of investment in subsidiary, to finance the construction of factory building and purchase machinery in Vietnam with a local commercial bank under the credit line of Baht 100 million, at interest rate MLR-2.00% per annum for the first year, MLR-1.75% per annum for the second and third year and MLR-1.50% per annum from the fourth year onwards. The repayment of Baht 1.9 million per month of principal and interest, in 66 installments, shall be completed by the 84th month upon receipt of the first loan (grace period 18 months) and pay interest monthly.

The loan contains the covenants imposing that the Company shall not create negative pledge on its land and construction including the plant, head office and machinery and it has to maintain the financial ratio as required by the agreement.

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NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

16. LIABILITIES UNDER HIRE-PURCHASE AGREEMENTS

Liabilities under hire-purchase agreements consisted of:

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2008	2007	2008	2007
Liabilities under hire-purchase agreements	2,054,973.00	1,445,241.00	1,898,586.00	1,118,250.00
<u>Less</u> deferred interest	<u>(92,277.98)</u>	<u>(81,008.02)</u>	<u>(84,264.40)</u>	<u>(62,300.02)</u>
	1,962,695.02	1,364,232.98	1,814,321.60	1,055,949.98
<u>Less</u> current portion due within one year	<u>(1,522,969.73)</u>	<u>(764,650.08)</u>	<u>(1,374,596.31)</u>	<u>(603,400.08)</u>
Net	<u>439,725.29</u>	<u>599,582.90</u>	<u>439,725.29</u>	<u>452,549.90</u>

As at December 31, 2008, the Company and its subsidiary have 6 hire-purchase agreements with two local companies in the amount of Baht 3.56 million (Included Vat) with a term of twenty-four (24) months, and repayable monthly at Baht 0.15 million (Included Vat).

And the Company has 5 hire-purchase agreements with two local companies in the amount of Baht 3.22 million (Included Vat) with a term of twenty-four (24) months, and repayable monthly at Baht 0.13 million (Included Vat).

The payment of these contracts are as follow:

	Baht					
	Consolidate balance sheets			Separate balance sheets		
	Principal	Deferred interest	Total	Principal	Deferred interest	Total
Payment due within 1 year	1,522,969.73	84,271.27	1,607,241.00	1,374,596.31	76,257.69	1,450,854.00
Payment due over 1 year to 5 years	439,725.29	8,006.71	447,732.00	439,725.29	8,006.71	447,732.00
Total	<u>1,962,695.02</u>	<u>92,277.98</u>	<u>2,054,973.00</u>	<u>1,814,321.60</u>	<u>84,264.40</u>	<u>1,898,586.00</u>

Under the terms of hire-purchase agreement referred to above, the Company and its subsidiary shall have to comply with certain conditions and restrictions as specified in the agreement.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

17. SHARE CAPITAL

At the extraordinary shareholders' meeting No.1/2006 held on November 3, 2006, the shareholders approved the issuance of warrants and increase in share capital as follows :

The issuance of warrants to purchase ordinary share by :-

1. Share-purchase warrants to offer to existing shareholders.

Type of warrant	: Share-purchase warrant of Eason Paint Public Co., Ltd. No.1, (EASON-W1) specification of shareholders and transferable
Period	: 4 years since the issuance of the Share-purchase warrants
Amount	: 100,000,000 Units (one hundred million units)
Offering	: Allocation to the shareholders whose names appear in the registration book on the day after having been approved from The Office of the Securities and Exchange Commission and The Stock Exchange of Thailand at the ratio of 2 ordinary shares per 1 unit of share-purchase warrant
Offering price	: Baht 0 per unit
Exercise rate	: 1 Share-purchase warrant is exercisable into 1 ordinary share
Exercise price	: Baht 1 per unit
Exercise period	: On the last working day of June and December of each year throughout the covered period of the warrant; first exercisable on June 30, 2007
Exercise condition	: Follow the rules of The Office of the Securities and Exchange Commission and The Stock Exchange of Thailand
Secondary market	: The Company will proceed with the share-purchase warrant to be registered into The Stock Exchange of Thailand

In 2007, 7,500 warrants were exercised to purchase 7,500 new ordinary shares at Baht 1 each, in the amount of Baht 7,500.00 which the Company had registered as paid-up shares capital with the Ministry of Commerce.

In 2008, 850,500 warrants were exercised to purchase 850,500 new ordinary shares at Baht 1 each, in the amount of Baht 850,500.00 which the Company registered as paid-up shares capital with the Ministry of Commerce. On December 30, 2008, 11,568,400 warrants were exercised to purchase 11,568,400 new ordinary shares at Baht 1 each, in the amount of Baht 11,568,400.00 which the Company registered as paid-up shares capital with the Ministry of Commerce on January 8, 2009. The Company recorded the share subscription received from exercise of EASON-W1 warrants of Baht 11,568,400.00 as "Share subscription received in advance" in the balance sheet as at December 31, 2008.

As at December 31, 2008, the Company had 87,573,588 EASON-W1 warrants remaining unexercised.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

2. Share-purchase warrants to offer director and the Company's management (non-director), employee and consultant (ESOP Scheme)

Type of warrant	:	Share-purchase warrant of Eason Paint Public Co., Ltd. No.1, (ESOP warrant) specification of shareholders and non-transferable.
Period	:	Not over 3 years since the issuance of the Share-purchase warrant
Amount	:	7,000,000 Units (Seven million units)
Offering	:	Allocation to ESOP scheme following the rules of the Allocation Subcommittee
Offering price	:	Baht 0 per unit
Exercise rate	:	1 Share-purchase warrant is exercisable into 1 ordinary share
Exercise price	:	Baht 1 per unit
Secondary market of warrant	:	The Company will not proceed with the share-purchase warrant to be registered into The Stock Exchange of Thailand
Secondary market of ordinary share upon the exercise of warrant	:	The Company will proceed to list common stock on The Stock Exchange of Thailand

In 2007, 1,201,438 warrants were exercised to purchase 1,201,438 new ordinary shares at Baht 1 each, in the amount of Baht 1,201,438.00 which the Company had registered as paid-up shares capital with the Ministry of Commerce.

In 2008, 2,298,718 warrants were exercised to purchase 2,298,718 new ordinary shares at Baht 1 each, in the amount of Baht 2,298,718.00 which the Company registered as shares capital with the Ministry of Commerce.

As at December 31, 2008, the Company had 3,499,844 ESOP warrants remaining unexercised.

18. LEGAL RESERVE

Under the provision of the Public Limited Companies Act B.E. 2535, the Company is required to set aside as statutory reserve at least 5% of its annual net income until the reserve reaches 10% of the authorized capital. The reserve is not available for dividend distribution.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

19. TREASURY SHARES/APPROPRIATED RETAINED EARNINGS FOR TREASURY SHARES

On August 8, 2008, the Boards of Directors of the Company approved a program to repurchase up to 20,342,018 shares (par value of Baht 1 each), or 10 percent of the total number of shares in issue, with a budget of Baht 44.98 million, for liquidity surplus management purposes. The shares are to be repurchased on the Stock Exchange of Thailand since August 28, 2008 to February 28, 2009, and can be resold more than 6 months after completing the repurchase but within 1 year. As at December 31, 2008, the Company has purchased back 16,487,100 ordinary shares (par value of Baht 1 each), or 8.07 percent of total number of shares in issue, a total of Baht 33.12 million.

According to letter No. Gor Lor Tor. Chor Sor. (Vor) 2/2548 of the Office of the Securities and Exchange Commission dated February 14, 2005, concerning the acquisition of treasury shares, a public limited company may buy back treasury shares in an amount not exceeding the amount of its retained earnings and has to appropriate an equal amount of retained earnings to a reserve for treasury shares, which must be maintained until the Company either sells the treasury shares or reduces its paid up share capital by an amount equal to the value of the treasury shares which it could not sell. As at December 31, 2008, the Company has already appropriated the full required amount of retained earnings to a reserve for the treasury shares.

20. DIVIDEND PAYMENT

The Company

At the ordinary shareholders' meeting for the year 2008 held on April 1, 2008, the shareholders unanimously approved to pay cash dividend from operating results of 2007 for the shareholders in the registered book as at March 17, 2008 in the amount of Baht 34.44 million, appropriated by 202,569,686 shares of Baht 0.17 each.

At the ordinary shareholders' meeting for the year 2007 held on March 28, 2007, the shareholders unanimously approved to pay cash dividend from operating results of 2006 for the shareholders in the registered book as at April 12, 2007 in the amount of Baht 34 million, appropriated by 200,000,000 shares of Baht 0.17 each.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

Subsidiary company

At the extraordinary shareholders' meeting No. 1/2008 held on April 29, 2008, the shareholders unanimously approved to pay dividend from the operating results of the year 2007 in the amount of Baht 20 million, appropriated by 20,000 shares of Baht 1,000.00 each.

At the extraordinary shareholders' meeting No. 1/2007 held on April 27, 2007, the shareholders unanimously approved to pay dividend from the operating results of the year 2006 in the amount of Baht 30 million, appropriated by 20,000 shares of Baht 1,500.00 each.

21. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares held by outside shareholders which are issued during the year.

Diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares held by outside shareholders which are issued during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the date of potential ordinary shares were issued.

Weighted average number of ordinary shares is calculated by net of ordinary shares from treasury shares held by the Company, as discussed in Note 19 to the financial statements.

	Consolidated		Separate statements	
	statements of income		of income	
	2008	2007	2008	2007
Net profit for the year (Baht)				
Net profit attributable to equity holders of the parent	44,291,936.45	49,322,056.46	46,180,526.04	59,616,219.34
Weighted average number of ordinary shares (shares)	199,599,706	200,404,950	199,599,706	200,404,950
Number of share under warrant (shares)	104,192,708	72,589,562	104,192,708	72,589,562
Number of share that would have been issue at fair value (shares)	(51,452,671)	(29,507,952)	(51,452,671)	(29,507,952)
Ordinary shares plus effect of assumed conversion (shares)	252,339,743	243,486,560	252,339,743	243,486,560
Basic earnings per share (Baht per share)				
Net profit attributable to equity holders of the parent	0.22	0.25	0.23	0.30
Diluted earnings per share (Baht per share)				
Net profit attributable to equity holders of the parent	0.18	0.20	0.18	0.24

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2008 AND 2007

22. PROVIDENT FUND

The Company and its subsidiaries established a contributory registered provident fund covering all permanent employees in accordance with the Provident Fund Act B.E. 2530 by joining into a pool of provident fund named The Registered Provident Fund For Welfare Development.

Under the provident fund plan, employees' and Company and its subsidiaries' contributions are equivalent to certain percentages of employees' basic salaries based on the length of employment. The employees are entitled to the Company and its subsidiaries' contributions in accordance with the rules and regulations of the fund and on the length of service with the Company and its subsidiaries.

The Company and its subsidiaries' contributions for the years ended December 31, 2008 and 2007 amounted to Baht 1.70 million and Baht 1.45 million, respectively.

The Company's contributions for the years ended December 31, 2008 and 2007 amounted to Baht 1.51 million and Baht 1.45 million, respectively.

23. COMMITMENTS AND CONTINGENT LIABILITIES

23.1 Commitments of long-term rental and services agreements

As at December 31, 2008, the Company and its subsidiary have commitments to pay for rental and services under the rental and service agreements, for a term of 1 - 3 years.

The rental and service fee will be pay for the future are as follows:

	Million Baht
Payable within :	
1 year	9.97
2 - 3 years	5.91

23.2 Commitments under the technical assistance agreements

As at December 31, 2008, the Company and its subsidiaries have commitments under the technical assistance agreements as follows:-

23.2.1 The Company has entered into an agreement to receive technical assistance from BASF Coating Japan Ltd., a related company. The Company has to pay a royalty fee by the rate as stipulated in the agreement.

23.2.2 On April 25, 2008, the Company entered into an agreement to buy 2 secret formulas with another company. The Company will have an unending right to manufacture and sell the products as from the contract date and it has to pay a royalty fee by the rate as stipulated in the agreement.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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23.2.3 The subsidiary entered into a Technical Assistance Agreement for product manufacturing and product selling license with the Company and Watson Standard Asia Inc. The subsidiary has to comply with the terms and conditions of the agreement, effective from June 4, 2007 with exemption from the royalty fee.

23.3 Guarantees

As at December 31, 2008, the Company has outstanding letters of guarantees in total of Baht 1.50 million, which were issued by bank for the usage of electricity by the Company.

24. FINANCIAL INSTRUMENTS

24.1 Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in Note 4.

24.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

24.3 Interest rate risk

Interest rate risk arises from the potential fluctuation in interest rate that will have an impact on the Company's financial liabilities.

24.4 Foreign currency risk

The Company and its subsidiaries exposure to foreign currency risk arises mainly from trading transactions in foreign currencies. The Company and its subsidiaries seeks to reduce risk from trading transactions by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at December 31, 2008, the Company and its subsidiaries have the outstanding financial assets of USD 164,743.33 and financial liabilities of USD 55,538.25 and YEN 7,811,781.00.

As at December 31, 2008, the Company and its subsidiaries have the outstanding foreign exchange contracts as follow :-

	Foreign currency (Million)	Baht (Million)	Maturity date
Sold contracts			
US Dollar	0.20	6.79	January - March 2009
YEN	0.33	14.85	January 2009

However, the Company is exposed to foreign exchange risk on their investments in overseas subsidiary, are currently not hedged by derivative financial instruments.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

24.5 Estimated fair value of financial instruments

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments as disclosed herein :

For cash and cash equivalents, and accounts receivable, fair values approximate to their carrying values.

For bank overdrafts and short-term loans from financial institutions which carry floating interest rates, fair values approximate to their carrying values.

For accounts payable, fair value approximate to the carrying values.

For long-term loans from financial institution which carry floating interest rate, fair value approximate to carrying value.

For liabilities under hire-purchase agreements carrying interest at fixed rate, the Company is unable to estimate their fair values because of inadequate information.

25. INCOME TAX

Corporate income tax is calculated from net income for the years adjusted by the items defined under the Revenue Code as taxable or non-taxable income and expense, income tax at the rate of 25% from 2006 to 2010, included additionally taxable expense for investment of the listed company in the amount of 25% of the cash payment for investment or capital expenditure which directly related to the company business and the value of a qualifying project must be more than Baht 5 million, this tax incentive will last for 5 accounting periods for projects commencing on or after January 1, 2006.

The subsidiaries calculated the corporate income tax at 15 - 30% of the net accounting profit adjusted items in accordance with the Revenue Code.

Overseas subsidiary calculated corporate income tax in accordance with tax rates mandated under the tax law of that country.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2008 AND 2007

26. FINANCIAL INFORMATION BY SEGMENT

The Company and subsidiary companies have engaged in the manufacture of industrial paints, 2 main business segments are automotive paints and other industrial paints, and the Company's operations are mainly carried on in the same geographic area in Thailand.

As mention in Note 27 to financial statement, in January 2008, the directors passed a resolution to cease to operation of the plastic coating product sub segment, its resulted of profit from operating for the year ended December 31, 2008, is decreased of automotive paints segment.

Business activities are classified by product segments for the years ended December 31, 2008 and 2007 are as follows: -

	Consolidated (Thousand Baht)					
	Automotive paints		Other industrial paints		Total	
	2008	2007	2008	2007	2008	2007
Sales	481,805	541,189	190,567	152,837	672,372	694,026
Cost of sales and expenses	(453,065)	(479,988)	(186,467)	(144,718)	(639,532)	(624,706)
Profit from operating	28,740	61,201	4,100	8,119	32,840	69,320
Other income					20,310	4,421
Share of net profit in associated company					14,075	-
Interest expenses					(3,484)	(436)
Income tax					(16,377)	(19,841)
Net profit					47,364	53,464
<u>As at December 31.</u>						
Property, plant and equipment	18,300	47,959	13,578	15,325	31,878	62,883
Common property, plant and equipment					217,176	197,628
Leasehold right, net					28,518	-
Intangible asset, net					7,725	-

27. DISCONTINUED OPERATION

As mention in Note 9 to financial statement, in January 2008 the Company sold the sub business segment, the plastic coating product line to Origin Eason Paint Co.,Ltd., formerly the product buyer.

Items relating to the operations of both current and discontinued operation included in the income statements for the years ended December 31, 2008 and 2007 are as follows:-

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	(Thousand Baht)	
	2008	2007
Continued operation		
(Automotive and other industrial business)		
Sales	614,501	507,718
Cost of sales and expense	(580,778)	(456,197)
Profit from operating	33,723	51,521
Other income	32,126	2,710
Other expenses	(19,861)	(15,091)
Net profit from continuing operation	45,988	39,140
Discontinued operation		
(Automotive business)		
Sales	57,871	186,308
Cost of sales and expenses	(58,754)	(168,509)
Profit from operating	(883)	17,799
Other income	2,259	1,711
Other expenses	-	(5,186)
Net profit from discontinuing operation	1,376	14,324
Net profit	47,364	53,464

Net cash flows for the year ended December 31, 2007 of the discontinued operations can not seek information for supplemental disclosures.

28. RECLASSIFICATION

Certain reclassifications have been made to the presentation of the 2007 financial statements to conform with the classifications of the 2008 financial statements, with no effect on previously reported net income or shareholders' equity.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's director on February 27, 2009.