

# EASON

บริษัท อีซัน เพ้นท์ จำกัด (มหาชน)

EASON PAINT PUBLIC COMPANY LIMITED

รายงานประจำปี 2553

Annual Report 2010





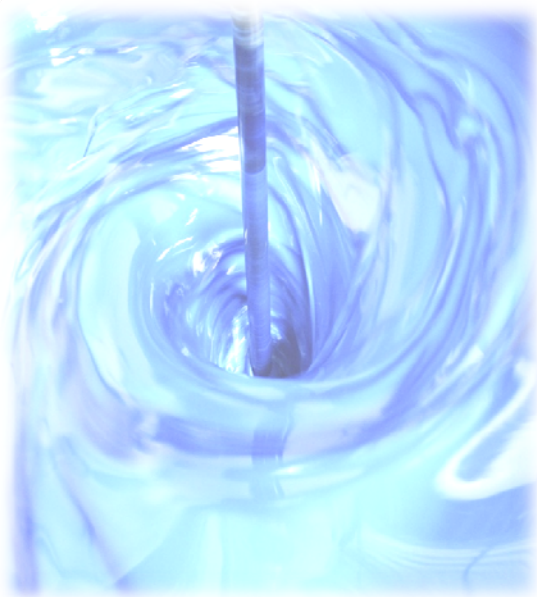
## Message from Chairman

It was a great year for Asian economic development which has reflected in the significant growth, also Thailand is among those countries despite the fragility of political situation. I do believe that without all turmoil our country would have been one of the top rank performers as a result of, foreign investment especially from China and Japan. In terms of Thai automotive industry, the expansion has been well-recognised and fascinating to foreign manufacturer for more exposure which could help magnify businesses constructively.

Eason Paint Public company Limited, an industrial paints manufacturer also cultivated in accordance to market rate with an increasing market share based on conscious management policy, which the sustainable growth has been being expected in order to optimise shareholders' wealth as well as generating dividend successively. In the year 2011, the company would propel towards a fruitful harvest on deliberate investment and your continuing support would be highly appreciated.

Lastly, I would like to show my deepest sincere gratitude to all directors, executives, and team for meticulous devotion, in addition to the supportive trustworthiness given by all shareholders on Eason. May I wish you all the best of luck throughout the year and always.

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## Board of Directors





1. Mr. Sanan Eksangkul  
Chairman of the board of Directors
2. Ms. Petcharat Eksangkul  
Director
3. Mr. Sanit Eksangkul  
Director
4. Mr. Wichai Eksangkul  
Director
5. Ms. Sirinun Eksangkul  
Director
6. Mrs. Pismai Boonyakiat  
Independent Director/Chairman of Audit Committee
7. Mr. Vitien Nildum  
Independent Director/Audit Committee
8. Mr. Jane Wong-isariyakul  
Independent Director/Audit Committee
9. Ms. Thipawan Uthaisang  
Independent Director/Audit Committee



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 Annoppong  
Deputy Managing Director

6. Ms. Sirinun Eksangkul  
Assistant Managing Director

7. Mr. Nathapol Eksangkul  
Assistant Managing Director,  
Acting Human Resources Manager

8. Mrs. Wilaivan Mitrapanon  
Purchasing Manager

9. Ms. Siriporn Choochird  
Product Manager

10. Ms. Phanphimon Boonyapinyo  
Financial Manager

11. Mr. Chayuth Sarerak  
Accounting Manager





## 1 CAER

Community Awareness & Emergency Responsible



## 2 Process Safety



## 3 Employee Health & Safety



# Responsible Care Program at Eason

## 4 Pollution Prevention

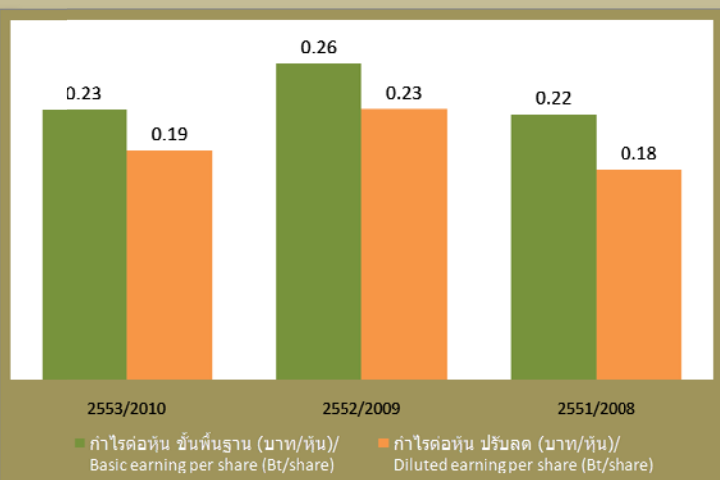
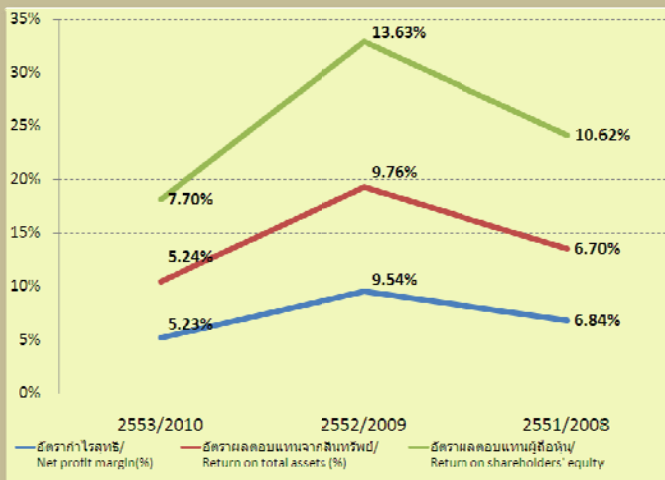
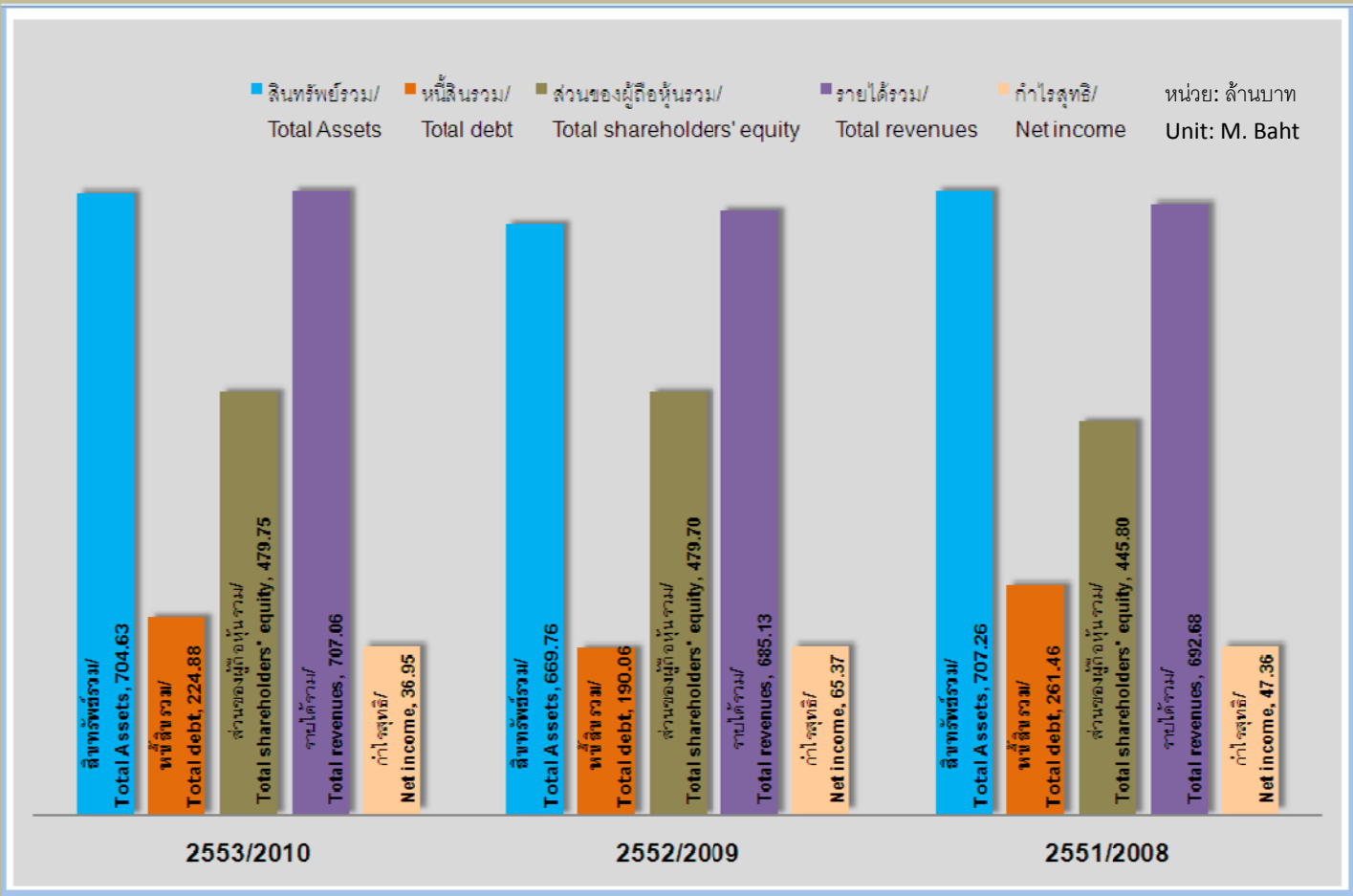


## 5 Distribution

## 6 Product Stewardship



# ข้อมูลสำคัญทางการเงิน/ Financial Highlights





## Summary of Company

- ❖ In 2010 The Company earned gross income as of 707.06 million baht, the income proportion from distribution and toll manufacturing for automotive paint amounted 482.36 million bath or 68.22% as well as the income proportion of manufacture and distribute other industrial pains amounted 193.28 million baht or 27.34% also the income proportion from selling and providing service amounted of 24.33 or 3.44%, and other income amounted 7.08 million baht or 1.00% The company earned profit amounted 33.00 million baht which was increased from 2009 amounted 24.94 million baht due to the increasing of automotive paint production and the expansion of automotive industry in Thailand
- ❖ The company has developed high quality motorcycle paint under BASF (Germany) technology which supports the customers to use high quality paint form the company without import from outbound. Additional, the company has developed printing ink for ROPP caps also printing ink for UV system and exports to ASEAN customer as well as manufacture UV ink for plastic under INX Corporation Ink Limited (USA) technology as the company is the first manufacturer for UV ink in Thailand. For that reason, the company products are recognized both local and international customers
- ❖ The factory building of Eason Urai Paint Co., Ltd. ("EUP") has been completed, and has been entered into business agreements with BASF (Vietnam) Ltd. ("BVL"), for having rights to manufacture motorcycle coating products, and BVL will distribute to customers in motorcycle industry since the 3<sup>rd</sup> quarter of 2010 onward.

EUP was established with registered capital of USD 4 million, and aim to be the manufacturer and distributor of motorcycle paint and others industrial paints in Vietnam, which locate on Noi Bai Industrial park, Hanoi City. The company is holding 62% of the total shares.

- ❖ Bright Blue Water Cooperation Limited (BBW) has focused on continuous improvement in its staffs and after sale services in order to reach the customer needs. BBW has almost 2,000 customer accounts with proportion of Korean/Japanese customers and Thai customer in 80% and 20% respectively. BBW aims to expand customer base on both government and private sector.

BBW was established with registered capital 35 million bath, and aimed to distribute and provide service of water and air filtering machine. Since the company realized that at the moment, consumer concern on health care by drinking clean water. The company is holding 60% of total share and Thai and foreigner shareholders are holding 40% of total share.

- ❖ The company is a manufacturer and distributor of packaging coating directly to customers both in Thailand and foreign countries after Eason Watson Coating Co., Ltd. ("EWC") has dissolved since 4<sup>th</sup> quarter of the year 2010 onwards. The Company still maintains its customers as well as the order quantity on a regular basis. The dissolution of EWC does not affect the operation of the company whatsoever.

EWC is a subsidiary company which the company holds 50.95%, together with Watson Standard Asia Inc ("Watson") and other Thai shareholders are holding 49.0% and 0.05% respectively. EWC has already dissolved registered on May 25, 2010 as a result of the economic slump in 2009 and the operating in foreign countries such as Vietnam, Philippines, Singapore, Indonesia, India and Australia has not met the target. However, currently situation of Thailand political has impacted on the level of confidence of overall foreign investors. Therefore, Watson has negotiated to divest its business in Thailand to avoid any potential impacts. Now, EWC has completely registered liquidation since January 7, 2011.

- ❖ As of January 10, 2011, the company has paid-up capital as the amount of Baht 229,644,447 divided into 229,644,447 ordinary shares at par value of Baht 1 per share. The company also has 20,182,600 shares of treasury stock under repurchase program for financial management, and has the repurchased shares period within 3 years which will end in February 2012.

In the year 2010, the company has 2 times of right offering exercising (RO) on June 30, 2010 (the 7<sup>th</sup> exercise warrant) and December 30, 2010 (the 8<sup>th</sup> exercise warrant). The result of exercise of warrants amount 5,820,500 units, and the existing warrant remained amount 76,804,938 units (of warrants 99,999,988 units), which will be expired on April 26, 2011.

Regards to the warrant for directors, executives (who are not the directors of the company) employee and consultant, ESOP, it has been exercised completely on February 26, 2010, and after the last exercise, the existing warrant remained amount 550,603 units (of warrants 7,000,000 units), also reserved share remained amount 550,603 shares.

## Shareholding and Management Structure

As of January 10, 2010, the Company has registered capital at the value of 307 million baht; dividend into ordinary shares amount 307 million shares at par value of 1 baht; paid-up capital as the amount of 229,644,447 baht by ordinary shares and paid-up capital as amount of 229,644,447 shares and existing warrant remained amount of 76,804,938 units which will be expired on April 26, 2011.

Besides, Warrant for directors, executives (who are not the directors of the company) employee and consultant, ESOP, has been exercised completely on February 26, 2010, and after the last exercise, the existing warrant remained amount 550,603 units (of warrants 7,000,000 units), also reserved share remained amount 550,603 shares.

### Top Ten major shareholders as of closed date December 31, 2010

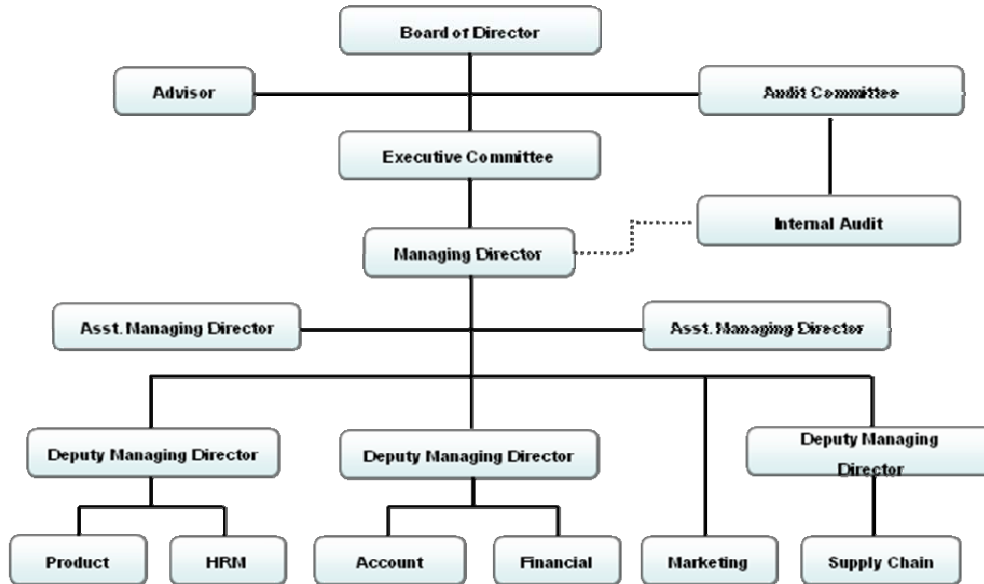
Item	Shareholder's name	The number of shares	Percentage
1	Eksang Holding Co., Ltd. and Eksangkul Group	120,819,679	53.68
2	Eason Paint Public Company Limited	20,182,600	8.96
3	Anantawachkorn Group	7,850,000	3.48
4	Dej-amornthan Group	7,662,200	3.40
5	Mr. Thongchai Methakijtrakoon	5,900,000	2.62
6	Ms. Chanya Mangkhalakeeri	4,172,300	1.85
7	Ms. Benjawan Athikompoj	3,194,000	1.41
8	Ms. Suthasinee Lucksana	2,697,000	1.19
9	Mr. Amorn Tangton	2,696,000	1.19
10	Mr. Preecha Sae-li	2,612,500	1.16

### Dividend Policy

The dividend of the company 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.

However, the dividend rate might not follow as mentioned with regarding a decision concerning paying dividend, which the company would take the following factors into consideration, such as the company's 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, 2010



*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:

- **Board of Directors** As of 31 December 2010, 9 directors in the Board of Directors are listed as follows.

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



## The Board of Directors and Executives information as of January 10, 2010

Name/Position	Age (year)	Education	Shareholding		Experience		
			Ordinary shares	Warrant	Period	Position	Company
1. Mr. Sanan Eksangkul <i>Chairman of Board of Directors</i> <i>Chairman of Executive Committee</i> <i>Chief Executive Officer</i>	56	<ul style="list-style-type: none"> <li>• Mini MBA Thammasat University</li> <li>• Bachelor of Arts (Literature) Fujen University, Taiwan</li> <li>• Certificate of Director Accreditation Program 31<sup>st</sup></li> </ul>	10,000	-	2007-Current	Chairman	Eason Urai Paint Co., Ltd.
					2009-Current	Chairman	Bright Blue Water Corp.
					2004-Current	Director	Eksang Holding Co., Ltd.
					2002-2005	Advisor to Chairman	The House of Representatives
2. Ms. Petcharat Eksangkul <i>Director</i> <i>Executive Director</i> <i>Managing Director</i>	54	<ul style="list-style-type: none"> <li>• XMBA Thammasat University</li> <li>• Bachelor of Science Chulalongkorn University</li> <li>• Certificate of Director Accreditation Program 31<sup>st</sup></li> <li>• National Defense College (NDC) Program 49<sup>th</sup></li> </ul>	5,184,000	880,000	2007-Current	Director	Eason Urai Paint Co., Ltd.
					1996-Current	Director	N.O.F.(Thailand) Co., Ltd.
					2004-Current	Director	Eksang Holding Co., Ltd.
					2008-Current	Honorable Chairman	Chemical Industry Club
							The Federation of Thai Industries
					2008-Current	President	Thai Paint Manufacturer Association
					2006-Current	Academic Advisor	Faculty of Science, Chulalongkorn University
Spouse's share holding			560,000	-			
3. Mr. Sanit Eksangkul <i>Director</i> <i>Executive Director</i> <i>Deputy Managing Director</i>	53	<ul style="list-style-type: none"> <li>• Mini MBA Kasetsart University</li> <li>• BA, Ramkhamhaeng University</li> <li>• Certificate of Director Accreditation Program 31<sup>st</sup></li> </ul>	510,000	1,320,000	2009-Current	Managing Director	Bright Blue Water Corp.
					2007-Current	Director	Eason Urai Paint Co., Ltd.
					2008-Current	Director	Origin Eason Paint Co., Ltd.
					2004-Current	Director	Eksang Holding Co., Ltd.

Name/Position	Age (year)	Education	Shareholding		Experience		
			Ordinary shares	Warrant	Period	Position	Company
4. Mr. Wichai Eksangkul <i>Director</i> <i>Executive Director</i> <i>Deputy Managing Director</i>	48	<ul style="list-style-type: none"> <li>• Master of Science Kasetsart University</li> <li>• Bachelor of Science Kasetsart University</li> <li>• Certificate of Director Accreditation Program 31<sup>s</sup></li> </ul>	5,420,000	-	2009- Current 1996- Current 2004- Current	Director Director Director	Bright Blue Water Corp. N.O.F.(Thailand) Co., Ltd. Eksang Holding Co., Ltd.
Spouse's share holding			54,678	-			
5. Ms. Sirinun Eksangkul <i>Director</i> <i>Executive Director</i> <i>Assistant Managing Director</i>	47	<ul style="list-style-type: none"> <li>• Mini MBA Kasetsart University</li> <li>• BA, Ramkhamhaeng University</li> <li>• Certificate of Director Accreditation Program 31<sup>st</sup></li> </ul>	5,400,000	-	1996- Current 2004- Current	Director Director	N.O.F.(Thailand) Co., Ltd. Eksang Holding Co., Ltd.
6. Mrs. Pismai Boonyakiat <i>Independent Director</i> <i>Chairman of Audit Committee</i>	66	<ul style="list-style-type: none"> <li>• Master of Commerce Thammasat University</li> <li>• Bachelor of Accountancy Chulalongkorn University</li> <li>• Certificate of Director Accreditation Program 34<sup>th</sup></li> <li>• Certificate of Director Certification Program 58<sup>th</sup></li> </ul>	-	-	2005 - Current 2000- Current 2000- Current 1999-2000	Chairman of Audit Committee Associated Judiciary for Juvenile section in Nonthaburee Court Chairman Director of Internal audit office	D-Con Public Company Limited Nonthaburee Court New Wave Institute and Consultant Bio File Co., Ltd.

Name/Position	Age (year)	Education	Shareholding		Experience		
			Ordinary shares	Warrant	Period	Position	Company
7. Mr.Vitien Nildum <i>Independent Director</i> <i>Audit Committee</i>	69	<ul style="list-style-type: none"> <li>• Mini MBA Thammasat University</li> <li>• Bachelor of Science Chulalongkorn University</li> <li>• Certificate of Chemical Practice</li> <li>• Certificate of Director Accreditation Program 32<sup>th</sup></li> </ul>	200,000	-	2009-Current	Director	The Council of Science and Technology professional
					2004- Current	Vice-Chairman	The Council of Scientist and Technology of Thailand
					2002- Current	Advisor	Printing industry club, The Federation of Thai Industries
8. Mr. Jane Wong-isariyakul <i>Independent Director</i> <i>Audit Committee</i>	58	<ul style="list-style-type: none"> <li>• XMBA Thammasat University</li> <li>• Bachelor of Science Chulalongkorn University</li> <li>• Certificate of Director Accreditation Program 31<sup>st</sup></li> </ul>	-	-	1983- Current	Chairman of the Board of Director/ Managing Director	Winner Group Enterprise Co., Ltd
					1983- Current	Director	Spa Ovation Co., Ltd.
					2008- Current	Director	Jamjuree Innovation Products Co., Ltd.
9. Ms. Thipawan Uthaisang <i>Independent Director</i> <i>Audit Committee</i>	53	<ul style="list-style-type: none"> <li>• XMBA Thammasat University</li> <li>• Bachelor of Accountancy Thammasat University</li> <li>• Certificate of Director Certification Program 29<sup>th</sup></li> <li>• The College of Politics and Governance, The King Prajadhipok's Institute 9<sup>th</sup></li> <li>• Capital Market Academy 8<sup>th</sup></li> </ul>	70,000	-	2006-Current	Audit Committee	P.A.E. (Thailand) Public Company Limited
					2009- Current	Audit Committee	Ladprao General Hospital
					2009- Current	Audit Committee	Pailin Booknet PCL.
					2001- Current	Managing Director	Papermate (Thailand) Co., Ltd.
					2005	CEO	International Engineering PCL.

#### 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. The auditors have checked and approved 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, and amending requirement or any parts in memorandum of association.

In addition the Board of Directors has other duties as follows;

1. 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.
2. To consider the Company's management structure and to appoint an Executive Committee, a president of Executive Committee, and other committee as appropriate.
3. To follow up the operation to make sure that it complies with the work plan and a budget.
4. 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
5. The directors shall inform the Company without hesitation 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' 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.

- *Executive Director* As of 31 December 2010, the Executive Director of the Company consisted of 5 persons as follows:

No.	Name	Position
1	Mr. Sanan Eksangkul	Chairman of Executive Director
2	Miss Petcharat Eksangkul	Executive Director
3	Mr. Sanit Eksangkul	Executive Director
4	Mr. Wichai Eksangkul	Executive Director
5	Miss Sirinun Eksangkul	Executive Director

#### Scope of duties and authorization of Executive Director

Executive Director has duties, authorization, and responsibility to manage the regular business operation of and to administrate the Company. Executive Director 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 Director 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 Director 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 Director, or to assign the person as mentioned to have a certain authorization for a period of time which Executive Director 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 Director may perform other actions or operations as assigned by Board of Directors.

The Executive Director's action concerning assigning duties, responsibility and authorization must not be in a way that allows the Executive 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 Securities and Exchange Commission, Thailand (SEC)) and the Executive 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 i.e. characteristic of transaction, ceiling of approvable fund.

- *Committee of Independent Directors/ Audit Committee* As of 31 December 2010, Audit Committee consisted of 4 persons as follows:

No.	Name	Position
1	Mrs. Pismai Boonyakiat	Chairman of Audit Committee/Independent Director
2	Mr. Vitien Nildum	Audit Director/ Independent Director
3	Mr. Jane Wongissariyakul	Audit Director/ Independent Director
4	Miss Thipawan Uthaisang	Audit Director/ Independent 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 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

3. To consider connected transaction or other transactions which may have conflict of interest and disclose information to comply with the law concerning securities and SET to ensure that transaction is reasonable and obtain most advantage to the company.
4. 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.
5. 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. Also attend the meeting with auditor without management at least once a year.
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:
  - Opinion toward the Company's procedure and practices of disclosing information of financial statement whether it is reliable and prepared properly.
  - Opinion as whether the Company's existing internal control serves its purpose sufficiently.
  - Opinion as whether the appointed audit company should be re-appointed to audit the Company next year.
  - 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.
  - 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.
3. 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
4. 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.
5. 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.
6. 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.
7. 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.
8. 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:

- Purposefully not to perform a particular work as assigned.
  - Accept an offer to perform wrong actions which adversely affect the Company and shareholders.
  - Not giving opinions or not reporting to the directors or shareholders straightforward.
  - 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:
    - 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.
    - 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.

### Management Team

As of December 31, 2010, Management Team consisted of 11 persons as follows:

No.	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 Annoppong	Deputy Managing Director
6	Ms. Sirinun Eksangkul	Assistant Managing Director
7	Mr. Nathapol Eksangkul	Assistant Managing Director Act. Human Resource Manager
8	Ms. Siriporn Choochird	Product Manager
9	Mrs. Wilaivan Mitrapanon	Supply Chain Manager
10	Mr. Chayuth Sereerak	Accounting Manager
11	Ms. Phanphimon Boonyapinyo	Financial Manager

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

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

##### Total remuneration of the Company's Directors

		Unit : Baht		
Directors	2010	2009	2008	
Meeting allowance	365,000	460,000	400,000	
Bonus	920,000	920,000	920,000	
Total	1,285,000	1,380,000	1,320,000	



## Amount of remunerations to Directors as of 2010

Unit : Baht

No.	Name	Position	Amount
1	Mr. Sanan Eksangkul	Chairman of Executive Directors	160,000
2	Ms. Petcharat Eksangkul	Executive Director	120,000
3	Mr. Sanit Eksangkul	Executive Director	120,000
4	Mr. Wichai Eksangkul	Executive Director	120,000
5	Ms. Sirinun Eksangkul	Executive Director	120,000
6	Mrs.Pismai Boonyakiat	Chairman of Audit Committee/ Independent Director	180,000
7	Mr.Vitien Nildum	Audit Director/ Independent Director	160,000
8	Mr.Jane Wong-issariyakul	Audit Director/ Independent Director	145,000
9	Ms.Thipawan Uthaisang	Audit Director/ Independent Director	160,000

**Remark** According to the Annual General Shareholders Meeting 2010 which was held on March 30, 2010, the resolution of the meeting on the issue of remuneration of directors of the Company in 2010 would total up no greater than baht 2.2 million

## Total remuneration for Company's Executives

Unit : Baht

Remuneration	2010	2009	2008
Salary, Bonus and Provident Fund	25,315,891	23,410,464	23,787,488

## 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
  - *Shareholders:* The Company is committed to representing the best of shareholders in the business transparently. Taking into account of the growth of its value in the long term and good returns
  - *Employees:* Employees are an important factor for company to achieve goal thus 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.
  - *Creditors:* The Company will maintain compliance with the terms strictly creditors.
  - *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.

### Meeting of Board of Directors

Directors name	Board of Directors		Audit committee	
	2010	2009	2010	2009
Mr. Sanan Eksangkul	4/4	5/5	-	-
Ms. Petcharat Eksangkul	4/4	5/5	-	-
Mr. Sanit Eksangkul	4/4	5/5	-	-
Mr. Wichai Eksangkul	4/4	5/5	-	-
Ms. Sirinun Eksangkul	4/4	5/5	-	-
Mrs. Pismai Boonyakiat	4/4	5/5	4/4	5/5
Mr. Vitien Nildum	4/4	5/5	4/4	5/5
Mr. Jane Wongissariyakul	3/4	4/5	3/4	4/5
Ms. Thipawan Uthaisang	4/4	5/5	4/4	5/5

*Remark* X/X = No. of attending the meeting/ No. of meeting held

### Subcommittee

The Board of Director appointed 4 Independence Directors to be 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. The term of Audit Committee is 2 years which the current committee is scheduled to complete term in 2011 and the Board of Directors will consider appointing the Audit Committee afterward.

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.

#### Board of Directors report

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 are able to contact Mr. Sanit Eksangkul directly at Tel. 02-941-6931 or access to [www.easonpaint.co.th](http://www.easonpaint.co.th) to get Company's information.

Labor dispute      -None-

#### 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, Safely Use Chemical, 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.
- Knowledge Management in Organization with variant activities, such as a library, a green magazine for knowledge sharing, EASON Knowledge Sharing.

#### Safety, Occupational Health and Environment

In 2010 the company has participated in training programs and consulting in environmental management ISO14001 with Thai Industrial Standard Institute. Current status, the project already passed the basis audition, and the company plans to obtain ISO14001 certification within 2nd Quarter of 2011

For safety task, the company has education program for safety, Energy conservation, Environmental management also fire prevention trial in collaboration with local government in order to restore the benefits and build positive relationships between communities. Moreover, the company has joined Department of Labor Protection and Welfare on AIDS project, and the company was awarded Gold class in 2009 and the Platinum class in 2010.

#### Responsible Care management

Responsible Care is a commitment of the industrial chemical on the responsibility to improve the effectiveness of the health, safety and environmental protection of society from business. The Company has joined RC group since 1999 onward and it is an important part to support business growing with environmental friendly.

## Community and Environment Activities

The company conducts relationship activities to community with social responsibility continuously, to assist and contribute the joint community as part which is the duty of members of community such as;

- With Rotary club of Bangkok-Ploenchit donate and support consumable products to blind and multiple handicapped children home for their operation on January 9, 2010



- Donate and support consumable product to Bangpakong home for Disabled on February 2, 2010





- Cultural activities on July 23, 2010 Bringing Lent candle for Buddhist Lent day on the project "Lent candle Festival" at Khog Kee Nhon Temple, Panthong, Chonburi



- Mangrove Forest Conservation by “ Eason together mangrove reforestation” to restore the coastal areas of Thailand at Mangrove Forest Resource Development Station no. 5, Chonburi on August 21, 2010



## General Information

Company's name:	Eason Paint Public Company Limited
Business:	Manufacturing and distributing industrial paints such as Motorcycle coatings, Printing ink, Packaging coatings, and other industrial paints
HO and factory addresses:	7/1-2 Moo 1, Panthong, Panthong, Chonburi 20160 Telephone 0-3845-1833 Fax 0-3845-1825
Branch office address:	312, 402/3-6 Soi Phaholyothin 32, Chankasem, Chatuchak, Bangkok 10900 Telephone 0-2941-6931 Fax 0-2941-2930
Company's registration number:	0107548000111
Website :	<a href="http://www.easonpaint.co.th">www.easonpaint.co.th</a>

## Subsidiary Companies

### Eason Urai Paint Company Limited ("EUP")

Business:	Manufacturing and distributing motorcycle paint and other Industrial paints
Address:	Lot 76, 77 Noi Bai Industrial park, Hanoi City, Vietnam Telephone +84-12162-47501

### Bright Blue Water Corporation Limited ("BBW")

Business:	Distributor and service provider for water and air filtering system.
Address:	240/44-45 21 <sup>st</sup> Floor Ayothaya Tower 1st floor Soi 18 Ratchadaphisek Road HuayKwang, Huaykwang Bangkok 10310 Telephone 0-2692-9777 Fax 0-2692-9777 ext. 520

### N.O.F. (Thailand) Limited ("NTL")

Business :	Distributing motorcycle coatings (NTL is now under discussion with other partners for new business opportunity)
Address:	312, 402/3-6 Soi Phaholyothin 32, Chankasem, Chatuchak, Bangkok 10900 Telephone 0-2579-7118 Fax 0-2579-7108



## Joint Venture Company

### Origin Eason Paint Company Limited (“OEP”)

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

## References

### Thailand Securities Depository Company Limited - Registrar

No. 62 Ratchadaphisek Road, Klongtoey, Bangkok 10110  
Telephone 0-2229-2800, 0-2654-5599 Fax 0-2359-1262-3

### Thamniti Auditing Company Limited- Auditing Company

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

## Nature of Business

Eason Paint Public Company Limited (“the Company”) has been established on 1965 in the name “Eason Paint Products Co., Ltd” by the founder of the Company, Mr. Ko Eksangkul whose experiences and vision in paint industry played an important part in the growth of the company many years to manufacture building paint.

- In the year 1982, the Company increased authorized capital to 7.5 million baht to expand business and became a manufacturer and distributor of industrial paints, and engaging in hire-production of other related products from current Know-How ie. packaging coatings, offset ink, and etc
- In the year 1989, the Company was renamed to Eason Paint Products Company Limited and renamed again in 2005 to Eason Paint Public Company Limited which was registered with 200 million baht as a public company, listed in SET on October in the same year.
- In 2006, Extraordinary meeting on November 3, 2006 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.

### Subsidiaries Companies and Related Companies

- Eason Urai Paint Co., Ltd. (“EUP”)

EUP, registered capital amount of USD 4 million, aim to be the manufacturer and distributor motorcycle paint and others industrial paints in Vietnam, which locate in Noi Bai Industrial park, Hanoi City. The Company is holding 62 % of total shares, and Urai Panich Co.,Ltd, holding 30 %, who has long experience in manufacturer and distributor architecture paint in Thailand more than 30 years and under Urai Panich group in Vietnam, Lao, Cambodia and Myanmar, and other Thai shareholder is holding 8 % of total shareholders.

In 3<sup>rd</sup> quarter of 2010, EUP has been entered into business agreement with BASF (Vietnam) Ltd. (“BVL”) for having rights to manufacture motorcycle coating product. Then BVL distribute product to clients base in motorcycle industry in Vietnam, which would be expand the production base and increase opportunity for company’s revenue growth.

- **Bright Blue Water Cooperation Limited (“BBW”)**

Bright Blue Water Cooperation Limited (“BBW”) was established On June 2009 to distribute and provide service of water filter and air filtering machine since the company realized that at the moment consumer focus on drinking clean water and healthy, the company studied and set up work plan with a team that has experienced in drinking water business moreover 10 years. For the time being BBW has almost 2,000 customer accounts and aim at expand customer base for both government and private sector by product strength and strong distribution. BBW was established with registered capital 35 million baht and the company is holding 60% of total share and Thai and foreigner shareholders are holding 40% of total share.

- **N.O.F. (Thailand) Limited or (“NTL”)**

NTL was established, in March 1986, to distribute motorcycle coating to the industrial end users by the Company totally holds 99.98% of NTL’s paid up capital.

After entering into a cooperation agreement with BASF Thailand Limited (“BTL”), a subsidiary company of BASF, a world-class manufacturer and distributor of chemical and industrial paint also the Company sold NTL’s asset to BTL such customer database and marketing for the right to manufacture motorcycle coating (Toll manufacturing) and the opportunity to manufacture other industrial paint to BTL to distribute for ASEAN customers. NTL is now on the process of business policy arrangement.

- **Origin Eason Paint Co., Ltd. (“OEP”)**

The Company is holding only 40% of total shares, while Origin (Japan) Co., Ltd. (“Origin”), the leaders in research and development of plastic coatings for automobile parts, electrical appliances, and telecommunication devices is holding 45% of total shares and Miki (Thailand) Ltd. (“Miki”), 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. Then Miki distribute product all clients in Miki (Thailand)’s client base.

#### Summary of the Company’s products

Products	License	Details	Brand
Packaging coatings	Company	Company’s Know-how	Eason
Offset ink for metal and paper	Company	Company’s Know-how	Nok Bin Khoo
Special offset ink	INX	Manufacturer and distributor of UV ink of INX	INX
Boat paints	Company	Company’s Know-how	Eason
Train paints	Company	Company’s Know-how	Eason, Nok In-si

## Risk Factor

### Risk from the operation under Toll Manufacturing Agreement

The Company operates Motorcycle coating business under the Toll Manufacturing Agreement by manufacture according to purchase order from BASF (Thailand) Ltd. (“BTL”) and BTL will distribute to OEM manufacturing in motorcycle industry both local and other countries in ASEAN

Under the Toll Manufacturing Agreement, the company will earn in form of Toll fee that fluctuate based on production quantities for this reason the company may have risk from BTL whose marketing planner may be unable to expand customer base in this regional also company may have risk if BTL hire other manufacturers instead

The company realize that branding may get revenue better than toll manufacturing but motorcycle coating business has a relatively high competitive therefore manufacturing, distributing and branding as their own must have publicity and promotion which requires an investment as well as a risk of the sales opportunity to compete with other manufacturers. While toll manufacturing can help company to reduce purchasing and management of raw material which may have risk related in price of raw materials which are varied by economic. In addition, BASF is a famous brand and is recognized internationally and aims to Thailand as a manufacturing hub for the expansion of the coatings business (Coatings) in the motorcycle industry and other industries in the region. Making sure that BTL is committed to the marketing plan and expands its customer base to achieve this goal as well.

Moreover the company assumes that generally product has price and quality as importance key as well as the company has very long experience as an industrial paint manufacturer and has been trusted from customer over long, the company focus on quality of products along with appropriate toll fee therefore ensures that the company is trusted and been hired by the customers afterward

### Risks concurring from dependency toward know-how of the business partners

The Company produces motorcycle coatings by purchase order from BASF (Thailand) limited (“BTL”) with know-how of BASF. Furthermore, raw materials for production based on such know-how can only be obtained through particular chemicals suppliers accepted by know-how owner. Thus, BASF is interested to invest in paint industrial, the Company’s operation and business performance will be significantly affected.

However, even the company produces paint with know-how of world famous companies and deliver to distributors for local end users, but 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 its customer base in coatings and printing ink business which will make revenue proportion from selling other industrial paint increase.

#### 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 2009 and 2010, the Company's percentage of raw material purchases through importer or distributors are 88.08% and 91.08% of the total raw material purchases respectively and the percentage of raw materials imported by the Company are 11.92 and 8.92% 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 22 Thailand-based distributors. As mentioned earlier, these raw materials are specifically and strongly recommended by know-how owners which this license is important to industrial paint business. 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 2009 and 2010, the Company's revenue from selling these products accounted for 63.5% and 68.9% of the total revenue respectively, increasing along with expansion of automotive industry. Even the world economic crisis and oil price situation was gradually increased since during 2008-2009 and effected to the expansion of automotive industry that was reduced but motorcycle consumption was increased due to consumer reduce their cost of living by using motorcycle to be their vehicle rather than car which is high cost.

However the automotive industry has better sign in 2010, and the 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 31, 2010, Eksangkul group who are presently in control of management of the Company is holding 53.68% 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



## Related-party Transactions

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 2010 and 2009 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
				2010	2009	
Eksang Holdings Co., Ltd.	<ul style="list-style-type: none"> <li>▪ Related company (holding Eason Paint Public Company Limited shares 49.21%% of total suffrage)</li> <li>▪ 100% of paid-up shares were hold by Eksangkul Group.</li> <li>▪ Having the same group of directors.</li> </ul>	Short-term property rental <ul style="list-style-type: none"> <li>▪ Rental expenses</li> </ul>	Rented office space for Bangkok branch office, R&D department. Lease contract commenced on March 1, 2008 ended February 28, 2011 rental fee was Baht 321,100 per month. Contract period is 3 years. It will be renewed on March 1, 2011 and expired on February 28, 2014. The contract term is 3 years. Rental rate of Baht 298,760 per month which is due to space reduction. <ul style="list-style-type: none"> <li>▪ Rented office space additional rental for Bangkok branch office. Lease contract commenced</li> </ul>	5.50	5.14	<ul style="list-style-type: none"> <li>▪ The company rented office space for Bangkok branch office and R&amp;D department</li> <li>▪ <u>Audit Committee's Opinion:</u> The company has necessity to rent the space for operating activities which is for Bangkok branch office and R&amp;D department</li> <li>▪ The first contract period was 3 years. The monthly rental fee for space and building is Baht 321,100 which the fee was an appraised rental price by Prefer Appraisal Co., Ltd. on November 7<sup>th</sup>, 2007 and by G.P.V. Global Property Valuation Co., Ltd. on March 22, 2010.</li> <li>▪ The second contract period is 3</li> </ul>

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
				2010	2009	
			<p>on May 1, 2007 ended April 30, 2010. Agreement period is 3 years rental fee was Baht 107,000 per month. It will be renewed on May 1, 2010 ended April 30, 2013. The contract term is 3 years. Rental rate of Baht 107,000 per month.</p> <ul style="list-style-type: none"> <li>Rent space and its improvement for warehouse and car park, the contract is one year which the period is from January 1, 2010 to December 31, 2010. Rental rate of Baht 30,000 per month. Renew the lease for further 1 years of each lease period</li> </ul>			<p>years. The monthly rental fee for space and building is Baht 107,000 which the fee was an appraised rental price by Prefer Appraisal Co., Ltd. on October 3, 2005 and by G.P.V. Global Property Valuation Co., Ltd. on March 22, 2010. For renewal of both contracts for next 3 years, the company has to declare the intention in written with in one month before the contract ends. The rental fee is negotiable.</p>
<p>Origin Eason Paint Co., Ltd. ("OEP") : Earlier is Origin Miki (Thailand) Co., Ltd ("OMT")</p>	<ul style="list-style-type: none"> <li>Joint Venture Company</li> <li>Having the same director : Mr. Sanit Eksangkul</li> <li>In January 2008, the</li> </ul>	<ul style="list-style-type: none"> <li>Revenue from selling raw material.</li> </ul>	<ul style="list-style-type: none"> <li>Some plastic coatings formulas are used same raw material as the Company. This is an aggregated order. The</li> </ul>	0.54	0.16	<ul style="list-style-type: none"> <li>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</li> </ul>

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
				2010	2009	
	company purchased ordinary shares to increase the investment in OMT to be 39.80%. ▪ In September 2009, the company purchased 600		price is charged at market price plus agreed profit margin.			<u>Audit Committee's Opinion:</u> The company joined with OEP for flexibility to expand plastic coating market.
	ordinary shares being equivalent 0.2%. The proportion of this investment increased to be 40%.	<ul style="list-style-type: none"> <li>▪ Accounts receivable and notes receivable</li> <li>- Beginning balance</li> <li>- Ending balance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Normal business transactions associated with selling activities.</li> </ul>	0.006	0.010	
		<ul style="list-style-type: none"> <li>▪ Purchase goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ Currently the Company still purchases some raw material for manufacturing motorcycle coating at reasonable price in market. The Company purchased raw material for using in plastic coatings which was in normal business transactions. The reference prices were not available due to specialized raw material; therefore selling</li> </ul>	0.79	1.71	<ul style="list-style-type: none"> <li>▪ If the Company imports this raw material directly from suppliers, it has to purchase at the determined minimum quantity. Ordering through OEP who normally orders large quantity of raw material will help the Company to cut down an excess stock of raw material.</li> </ul>

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
				2010	2009	
			price is agreed by both parties.			
		<ul style="list-style-type: none"> <li>▪ Accounts payable</li> <li>- Beginning balance</li> <li>- Ending balance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Normal business transactions associated with purchase activities</li> </ul>	0.18	3.71	<ul style="list-style-type: none"> <li>▪ <u>Audit Committee's Opinion:</u> Being normal business transactions</li> </ul>
		<ul style="list-style-type: none"> <li>▪ Rental fee</li> <li>▪ Service fee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Since January 1, 2008 the Company entered into a rental contract for 3 years in order to lease factory building and warehouse. Monthly rental fee is Baht 400,000 and monthly other service fee is Baht 100,000. (Formerly, the Company leased space for keeping raw materials and delivered goods in-transit.</li> <li>▪ From March 1, 2008, the Company has leased the space of Bangkok branch in order to be office building and R&amp;D department of OEP.</li> </ul>	6.10	6.10	<ul style="list-style-type: none"> <li>▪ This lease is for renting factory building and warehouse in Chonburi in order to produce and keep plastic coatings.</li> <li>▪ <u>Audit Committee's Opinion:</u> On March 27, 2007, the Company hired and independent appraiser, Preferred Appraisal Co., Ltd., to appraise a rental fee. A result of appraisal was that rental fee was Baht 150 per sq.metre for total area of 2,704 sq.metre.</li> </ul>

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
				2010	2009	
			Monthly rental is Baht 108,000 and monthly other service is Baht 27,000.			<ul style="list-style-type: none"> <li>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.</li> </ul>
		Service charges	<ul style="list-style-type: none"> <li>The Company provides other service such as maintenance for machinery and tools in production line, training and seminar, and etc. in order to maximize asset utility. The price is charged at cost plus marginal charge.</li> </ul>	1.88	1.67	
Watson Standard Asia Inc.	<ul style="list-style-type: none"> <li>WSA Holds 49% of paid-up shares of subsidiary company, Eason Watson Coating Limited (EWC), the Company holds 50.95% of paid-up shares and Eksangkul group 0.05% of paid-up shares</li> </ul>	<ul style="list-style-type: none"> <li>Purchase goods</li> </ul>	<ul style="list-style-type: none"> <li>Import of raw material for producing coating product at market price which is the normal business transaction.</li> </ul>	-0-	1.60	<ul style="list-style-type: none"> <li><u>Audit Committee's Opinion:</u> Being normal business transactions</li> </ul>
		<ul style="list-style-type: none"> <li>Accounts payable</li> </ul>	<ul style="list-style-type: none"> <li>Cost of imported goods for selling</li> </ul>	-0-	-0-	

### Measure or procedure used to approve connected 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 in the future both of the continuous transactions which is consisted of Normal business transaction such as selling raw materials and products, purchasing raw materials and products, service provider and rent and leasing property in short period. 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

Eason Paint Public Company Limited (the Company) and its subsidiaries engage in 3 major operating sectors

1) Automotive Paints Sector 2) Other industrial Paints sector 3) Other operating sector

### Revenue

In year 2009 and year 2010, Total revenue was 685.13 million and 707.06 million Baht respectively. Major revenue is from automotive paints sale and other industrial paint sale. The company has accounted for automotive paint sale to total revenue equal to 64.56% and 68.22% respectively, other industrial paint sale to total revenue equal to 24.76% and 27.34% respectively.

Revenues (Unit : M. Baht , %)	Year 2010	Year 2009	% Year 2010	% Year 2009
Sales and services	699.98	626.39	99.00%	91.43%
Automotive	482.36	442.30	68.22%	64.56%
Other industrial paints	193.28	169.61	27.34%	24.76%
Other	24.33	14.48	3.44%	2.11%
Sales of customer lists and marketing datas	-	49.65	0.00%	7.25%
Other income	7.08	9.09	1.00%	1.33%
<b>Total revenues</b>	<b>707.06</b>	<b>685.13</b>	<b>100.00%</b>	<b>100.00%</b>

Total revenue contains sale and service revenue, other income (ie. sale of property, profit from currency exchange excluding profit sharing from associated company) and sale of customer lists and marketing data.

- 1) Sale and service revenue can be categorized into 3 major sectors as below.
  - ✓ Automotive paint sale and service revenue for automotive industry from the Company and Eason Urai Paint company limited, ie. Motorcycle paint use for spray on motorcycle's body and parts. In year 2009 and year 2010, the company has automotive paint sale and service revenue of 442.30 million Baht and 482.36 million Baht. This revenue would vary with domestic automotive industry.
  - ✓ Other industrial paints sale and service revenue which was came from sale to printing industry and packaging industry and industrial glue toll fee. In year 2009 and year 2010, the company has earned of 169.61 million Baht and 193.28 million Baht. This revenue would vary with printing industry and packaging industry performance. However in year 2009, Eason Watson Coating Limited ("EWC") has ceased its operating as packaging distributor and the company has became its own packaging manufacturer and distributor.
  - ✓ Other sale and service revenue, for example water and air filtering providing service revenue. In year 2009 and year 2010 equal 14.48 million Baht and 24.33 million Baht.



2) Other income from rental income, other services income, other sale, asset sale, profit (loss) from currency exchange, interest income equal 9.09 million Baht and 7.08 million Baht in year 2009 and year 2010, respectively.

Note: Sales of customer lists and marketing data from the company restructuring 49.65 million Baht. The Company's subsidiary, N.O.F.(Thailand) Limited ("NTL"), has sold its assets such as customer lists and marketing data to BASF (Thai) Limited ("BTL").

## Expenses

Major 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 quality than the domestic's.

The cost of goods sold to Sale and service revenue (Sales of customer lists and marketing data excluded) was in the range of 72.77% – 72.98%, which was 72.98% in the year 2010. However, for the past few years, the price of raw materials has fluctuated with the change of oil price. The Company regularly keeps stock of raw materials for 1-3 months. 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.

The Company aware of the effect from currency exchange rate. However, to prepare for the possibility of drastic fluctuation of exchange rate, the company has the credit line in terms of Forward Contract with a financial institution to make available the funds sufficient for each purchase of raw materials from overseas.

In the year 2009 and year 2010, selling expenses, administrative expenses and Management benefit expenses was 139.03 Million Baht and 150.94 Million Baht respectively, where as the ratio of selling expenses, administrative expenses and Management benefit expenses to total revenue in year 2009 and year 2010 was 20.29% and 21.35% respectively. In year 2010, Major expenses came from human resources expenses and export expenses. The company remains human resource development policy to achieve more knowledge and ability which is important factors sustainable growth.

## Financial cost and corporate tax

In year 2009 and year 2010, the Company had financial cost of 3.62 Million Baht and 3.48 Million Baht respectively. The ratio of interest payment to total revenue was 0.53% and 0.49% respectively. The interest payment was interest from leasing contracts and long-term bank loan.

The Company had corporate tax expense to total revenue about 2.22%-3.15%. In year 2009 and year 2010, corporate tax expense was 21.57 Million Baht and 15.69 Million Baht respectively.

### Profit

In the year 2009 and 2010, the Company's gross profit to revenue from sale and service for 26.18%, and 26.28%. The operating profit to revenue from sale and service of 5.35% and 5.67% respectively. Also the Company earned net profit to total revenue of 9.54% and 5.23% respectively. However in year 2009 the revenue increased from Sales of customer lists and marketing data.

The return on shareholders' equity in year 2007 year 2008 and year 2009 was calculated as of 12.53%, 10.79% and 14.13% respectively because net profit in year 2009 increased. Excluded Sales of customer lists and marketing data from net profit margin ratio, the result would be 2.29.

### Financial status

#### Total assets

As of December 31, 2010, the Company had total assets of 704.63 Million Baht, increased from former year 34.87 million Baht. Total assets contained current assets of 330.92 Million Baht (major current assets were cash on hand, cash in bank, account receivable, inventory) and fixed assets of 373.72 Million Baht (major fixed assets were land, buildings, machine, vehicles, water filter for rent).

The ratio of current assets to total assets in year 2009 and year 2010 was 0.46 times and 0.47 times respectively. The ratio of fixed assets to total assets was 0.54 times and 0.53 times respectively.

### Quality of Asset

#### Account receivable

In year 2010, the Company had net accounts and bills receivables in amount of 110.32 Million Baht or accounted for 15.66% of total assets. The decrease by 1.18 Million Baht from prior year was the result of shorten collection period. Separated by the term of the account receivables, most of the trade receivables were under 90 days term according to the credit terms. The average collection period during year 2008 – 2010 was 56-71 days. The details of the account receivables are classified as follows:

Trade account and note receivables (Unit : M. Baht , %)	Year 2010	Year 2009	%	%
			Year 2010	Year 2009
Current	88.52	92.79	80.23%	83.22%
Overdue 0 day to 90 days	20.17	18.54	18.28%	16.62%
Overdue 91 day to 180 days	1.17	0.17	1.06%	0.15%
Overdue from 181 days onwards	0.92	0.49	0.84%	0.44%
Total	110.78	112.00	100.41%	100.44%
Less allowance for doubtful accounts	(0.45)	(0.49)	-0.41%	-0.44%
<b>Trade account and note receivables, net</b>	<b>110.32</b>	<b>111.50</b>	<b>100.00%</b>	<b>100.00%</b>

The policy for allowance for doubtful debt from the account receivable which has aging more than 1 year although in 2009, allowance for doubtful debts was 0.45 Million Baht

### Inventory

The Company manufactures industrial paints by order, which each order would have different properties and characteristics of paint according each authorized paints. Thus, the Company would plan its production correspond with each customer's annual production plan. The Company therefore produces paint 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. Thus, the Company has made a provision for an allowance for the diminishing value after 1 year expiry. In year 2009 and year 2010, the Company had allowance for the diminishing value of 0.42 Million Baht and 0.45 Million Baht.

### Liquidity

At the end of year 2010, the Company had net cash flow of 7.86 Million Baht which was cash inflow from operating activities of 20.40 Million Baht, cash outflow use in investing activities of 25.21 Million Baht and cash inflow use in financing activities of 22.55 Million Baht and decrease currency translation changes of financial statements of foreign entity equal 9.87 million Baht.

The cash flow from operating activities in year 2009 and year 2010 was 204.28 Million Baht and 20.40 Million Baht respectively. Year 2009, cash flow from operating activities increased as a result of the Company restructuring, the Company sold its inventory and raw material at book value also its subsidiary sold customer lists and marketing data.

The cash flow use in investing activities in year 2009 and year 2010 was 76.31 Million Baht and 25.21 Million Baht respectively. Mostly cash outflow in investing activities invested in fixed assets. However in year 2009 cash outflow use in investing activities related to investment such as ; increased investment proportion in NOF (Thailand) Ltd. ("NTL"), increased investment in Eason Urai Paint Co., Ltd ("EUP") as EUP registered additional capital, invested in Bright Blue Water Cooperation Limited ("BBW"), increased investment portion in Origin Eason Paint Company Limited ("OEP").

The cash flow use/from financing activities in year 2009 and year 2010 was used 74.98 Million Baht and gained 22.55 Million Baht respectively. The cash flow use/from financing activities related to long term bank loan right offering warrant and ESOP program, dividend payment.

### Resource of capital

In year 2009 and year 2010, the Company had Debt to Equity ratio of 0.40 times and 0.47 times respectively. The higher debt to equity ratio in year 2010 was a result from increasing long-term bank loan.

### Shareholders' Equity

The Company has registered capital of 307,000,000 Baht. The 107 Million Baht increased registered capital would accommodate the exercise of the right under 100 Million units of right offering warrant by the existing shareholders; and to accommodate the exercise of the right under 7 Million units of warrants by directors, executives (who are not the directors of the company), members of the staff and the Company's advisor.

As of December 31, 2010 the Company has paid-up capital as the amount of 225,004,047 Baht, which are 225,004,047 shares with par price at 1 Baht/share. The Company had share subscription received in advance in amount of 4,640,400 Baht then later the Company has registered as paid - up shares capital with the Ministry of Commerce already. The existing warrant remained amount of 77,355,541 units.

The warrants for existing shareholders of 100,000,000 units 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. As at December 31, 2010, right offering warrant has been exercised in amount of 23,195,062 unites and remained the existing warrant in amount of 76,804,938 units.

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. As at December 31, 2010, ESOP warrant has been exercised in amount of 6,449,397 unites and remained balance of 550,603 units.

As at December 31, 2010, the Company has treasury stock (repurchase period August 28, 2008-February 28, 2009) in amount of 20,182,600 shares, or 8.97% of paid-up capital equivalent to 39.58 million Baht. The Company has already appropriated the full required amount of retained earnings to a reserve for the treasury stocks.

### Liabilities

As at year end of 2009 and 2010, the Company had long term bank loan for investment in Vietnam, in amount of 40.16 million Baht and 76.58 million Baht, respectively. Long term bank loan contained current portion of long-term loans equal 6.95 million Baht and 20.04 million Baht, respectively. Also the Company had leasing contracts in amount of 1.89 Million Baht and 3.98 Million Baht respectively. The Company has short term credit facilities contains bank overdrafts, promissory notes, letter of guarantee, letter of credit and trust and forward Contract. The Company has not yet withdrawal such loans.

#### External Auditor fee

The Company and its subsidiaries paid external auditor fee in the Accounting period of 2009 and 2010 totaling 0.94 Million Baht and 0.92 million Baht, respectively. In year 2010, the Company has not been charged for non audit fee by auditor and auditing company.

#### Factors that might have impacts on financial status or future operating results

Business expansion projects; Eason Urai Paint Company limited as subsidiary company, to manufacturing and distributing industrial paint in Vietnam, and Bright Blue Water Corporation Limited as subsidiary company, to distribute and provide service of water and air filtering machine. These projects are in investing period, investing in factory, office building, ware house, machineries, inspection tools, R&D tools, inventory etc. The Company's assets would be increased and would cause of higher depreciation that might affect to net profit of the Company.

Table: Summary consolidated balance sheets as at December 31, 2008 - 2010

<b>Consolidated Balance Sheets</b> (Unit : M. Baht , %)	Year 2010	Year 2009	Year 2008	% Year 2010	% Year 2009	% Year 2008
<b>Current assets</b>						
Cash and cash equivalents	130.67	122.81	78.47	18.54%	18.34%	11.09%
Investments in securities held-for-trading	1.91	4.33	-	0.27%	0.65%	0.00%
Trade account and note receivables, net	110.32	111.50	117.63	15.66%	16.65%	16.63%
Inventories, net	69.70	46.35	161.20	9.89%	6.92%	22.79%
Subscription receivable	-	12.27	-	0.00%	1.83%	0.00%
Other current assets	18.32	10.73	10.52	2.60%	1.60%	1.49%
<b>Total current assets</b>	<b>330.92</b>	<b>307.98</b>	<b>367.83</b>	<b>46.96%</b>	<b>45.98%</b>	<b>52.01%</b>
<b>Non-current assets</b>						
Investment in associated company	58.12	45.69	48.31	8.25%	6.82%	6.83%
Property, plant and equipment, net	282.62	276.55	249.05	40.11%	41.29%	35.21%
Intangible assets, net	7.58	8.56	7.72	1.08%	1.28%	1.09%
Leasehold right, net	19.63	22.77	28.52	2.79%	3.40%	4.03%
Other non-current assets	5.76	8.21	5.83	0.82%	1.23%	0.82%
<b>Total non-current assets</b>	<b>373.72</b>	<b>361.78</b>	<b>339.43</b>	<b>53.04%</b>	<b>54.02%</b>	<b>47.99%</b>
<b>Total assets</b>	<b>704.63</b>	<b>669.76</b>	<b>707.26</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Current liabilities</b>						
Overdraft and short-term loans from financial institution	-	-	85.00	0.00%	0.00%	12.02%
Trade account and note payables	109.19	118.41	112.41	15.50%	17.68%	15.89%
Current portion of long-term loans from financial institution	20.04	6.95	-	2.84%	1.04%	0.00%
Current portion of liabilities under hire-purchase agreements	2.78	1.12	1.52	0.39%	0.17%	0.22%
Accrued expenses	14.67	13.29	28.16	2.08%	1.98%	3.98%
Accrued income tax	5.32	11.22	8.64	0.75%	1.68%	1.22%
Account payable for purchase assets	8.87	-	-	1.26%	0.00%	0.00%
Other current liabilities	6.29	5.09	5.13	0.89%	0.76%	0.73%
<b>Total current liabilities</b>	<b>167.15</b>	<b>156.09</b>	<b>240.86</b>	<b>23.72%</b>	<b>23.30%</b>	<b>34.06%</b>
<b>Non-current liabilities</b>						
Long-term loans from financial institution, net	56.54	33.21	20.16	8.02%	4.96%	2.85%
Liabilities under hire-purchase agreements, net	1.20	0.77	0.44	0.17%	0.11%	0.06%
<b>Total non-current liabilities</b>	<b>57.73</b>	<b>33.97</b>	<b>20.60</b>	<b>8.19%</b>	<b>5.07%</b>	<b>2.91%</b>
<b>Total liabilities</b>	<b>224.88</b>	<b>190.06</b>	<b>261.46</b>	<b>31.92%</b>	<b>28.38%</b>	<b>36.97%</b>
<b>Shareholders' equity</b>						
Issued and paid-up shares capital						
Ordinary shares	225.00	219.93	204.36	31.93%	32.84%	28.89%
Share subscription received in advance	4.64	3.42	11.57	0.66%	0.51%	1.64%
Premium on share capital	111.42	111.42	111.42	15.81%	16.64%	15.75%
Currency translation changes of the financial statements of foreign entity	(14.17)	(6.89)	1.87	-2.01%	-1.03%	0.27%
Retained earnings						
Appropriated						
legal reserve	57.12	54.80	45.44	8.11%	8.18%	6.42%
treasury shares reserve	17.54	15.22	12.32	2.49%	2.27%	1.74%
Unappropriated	39.58	39.58	33.12	5.62%	5.91%	4.68%
Less treasury shares	99.45	82.23	65.93	14.11%	12.28%	9.32%
Minority interest in subsidiaries	(39.58)	(39.58)	(33.12)	-5.62%	-5.91%	-4.68%
Minority interest in subsidiaries	35.86	54.37	38.33	5.09%	8.12%	5.42%
<b>Total shareholders equity</b>	<b>479.75</b>	<b>479.70</b>	<b>445.80</b>	<b>68.08%</b>	<b>71.62%</b>	<b>63.03%</b>
<b>Total liabilities and shareholders' equity</b>	<b>704.63</b>	<b>669.76</b>	<b>707.26</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Table: Summary statements of income for the year ended December 31, 2008 - 2010

Consolidated statements of income (Unit : M. Baht , %)	Year 2010	Year 2009	Year 2008	%	%	%
				Year 2010	Year 2009	Year 2008
<b>Revenues</b>						
Sales and services	699.98	626.39	672.37	99.00%	91.43%	97.07%
Sales of customer lists and marketing datas	-	49.65	-	0.00%	7.25%	0.00%
Other income	7.08	9.09	20.31	1.00%	1.33%	2.93%
<b>Total revenues</b>	<b>707.06</b>	<b>685.13</b>	<b>692.68</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Expenses</b>						
Cost of sales and services	516.04	462.42	473.88	72.98%	67.49%	68.41%
Selling and administrative expenses	121.16	112.33	140.84	17.14%	16.40%	20.33%
Management benefit expenses	29.77	26.70	24.81	4.21%	3.90%	3.58%
<b>Total expenses</b>	<b>666.98</b>	<b>601.45</b>	<b>639.53</b>	<b>94.33%</b>	<b>87.79%</b>	<b>92.33%</b>
Share of profit of associated company	16.04	6.87	14.07	2.27%	1.00%	2.03%
<b>Profit before financial cost and income tax</b>	<b>56.12</b>	<b>90.55</b>	<b>67.22</b>	<b>7.94%</b>	<b>13.22%</b>	<b>9.70%</b>
Financial cost	3.48	3.62	3.48	0.49%	0.53%	0.50%
<b>Profit before income tax</b>	<b>52.63</b>	<b>86.94</b>	<b>63.74</b>	<b>7.44%</b>	<b>12.69%</b>	<b>9.20%</b>
Income tax	15.69	21.57	16.38	2.22%	3.15%	2.36%
<b>Net profit</b>	<b>36.95</b>	<b>65.37</b>	<b>47.36</b>	<b>5.23%</b>	<b>9.54%</b>	<b>6.84%</b>

Table: Summary statements of cash flows for the year ended December 31, 2008 - 2010

Statements of cash flows (Unit : M. Baht , %)	Year 2010	Year 2009	Year 2008
Cash flows from operating activities			
Net profit	36.95	65.37	47.36
Inventories	(23.39)	112.74	(2.00)
Other current assets	(7.59)	(0.21)	(3.87)
Other non-current assets	0.44	(0.37)	(0.00)
Increase (decrease) in operating liabilities			
Trade account and note payables	(9.21)	6.00	(51.70)
Accrued expenses	1.37	(14.87)	0.34
Other current liabilities	1.20	(0.04)	0.81
Cash received from interest income	0.30	0.54	0.23
Cash paid for income tax	(21.25)	(18.98)	(18.45)
<b>Net cash provided by operating activities</b>	<b>20.40</b>	<b>204.28</b>	<b>48.96</b>
Cash flows from investing activities			
Cash paid for capital pay back of subsidiary	(4.99)	-	-
Cash paid for investments in subsidiaries	-	(24.43)	-
Cash paid for investment in related company	-	(0.06)	(32.78)
Cash received from dividend	3.60	9.55	-
Cash paid for purchases of fixed assets	(26.77)	(62.60)	(22.51)
Cash received from sale of fixed assets	3.03	3.12	12.23
Cash paid for intangible asset	(0.09)	(1.90)	(35.21)
<b>Net cash used in investing activities</b>	<b>(25.21)</b>	<b>(76.31)</b>	<b>(78.27)</b>
Cash flows from financing activities			
Decrease in overdraft and short-term loans from financial institution	-	(85.00)	62.05
Cash received from long - term loans from financial institution	45.00	20.00	20.16
Cash paid for long - term loans from financial institution	(8.58)	-	-
Cash paid for hire-purchase agreements	(2.48)	(1.80)	(1.24)
Cash paid for treasury shares	-	(6.46)	(33.12)
Cash received from issued ordinary shares	12.27	23.72	25.89
Cash received from exercise of warrants	6.29	7.43	14.72
Cash paid for dividend	(26.47)	(29.25)	(44.24)
Cash paid for interest expenses	(3.48)	(3.62)	(3.48)
<b>Net cash provided by (used in) financing activities</b>	<b>22.55</b>	<b>(74.98)</b>	<b>40.73</b>
statements of foreign entity	(9.88)	(8.65)	1.50
<b>Net increase in cash and cash equivalents</b>	<b>7.86</b>	<b>44.34</b>	<b>12.92</b>
<b>Cash and cash equivalents, at beginning of year</b>	<b>122.81</b>	<b>78.47</b>	<b>65.55</b>
<b>Cash and cash equivalents, at end of year</b>	<b>130.67</b>	<b>122.81</b>	<b>78.47</b>



Table: Financial ratio as at December 31, 2008 - 2010

Consolidated financial ratio	Unit	Year 2010	Year 2009	Year 2008
<b>Liquidity ratio</b>				
Current ratio	times	1.98	1.97	1.53
Quick ratio	times	1.44	1.50	0.81
Current cash debt coverage ratio	times	0.12	1.31	0.20
Current asset / Total asset	times	0.47	0.46	0.52
Non-current asset / Total asset	times	0.53	0.54	0.48
Accounts receivable period	times	6.37	5.55	5.04
Average collection period	days	56	65	71
Inventory turnover	times	8.89	4.46	2.91
Average sale period	days	40	81	124
Accounts payable turnover	times	4.53	4.01	3.43
Average payment period	days	79	90	105
Cash Cycle	days	18	56	90
<b>Profitability ratio</b>				
Gross profit margin / Sales and services	%	26.28%	26.18%	29.52%
Operating profit margin / Sales and services	%	5.67%	12.21%	7.67%
Operating profit margin / Sales and services (not include special list)	%	5.67%	5.35%	7.67%
Cash from operating / Net operating profit	times	0.55	3.12	1.03
Net profit margin	%	5.23%	9.54%	6.84%
Net profit margin (extra items excluded)	%	5.23%	2.29%	6.84%
Return on equity	%	7.70%	13.63%	10.62%
Return on equity (extra items excluded)	%	7.70%	3.28%	10.62%
<b>Efficiency ratio</b>				
Return on asset (extra items excluded)	%	5.24%	2.35%	6.70%
Return on fixed asset	%	19.50%	13.44%	22.64%
Total asset turnover	times	1.89	1.89	2.04
<b>Financial policy ratio</b>				
Debt equity ratio	times	0.47	0.40	0.59
Interest coverage ratio	times	26.42	34.14	27.76
Long-term liability coverage ratio	times	1.10	2.70	0.87

\* Extra items mean Sales of customer lists and marketing datas in year 2009

## Financial Statement

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, 2010 and 2009, 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, 2010 and 2009, 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, there are the financial statements of an overseas subsidiary reflect assets as at December 31, 2010 and 2009 of Baht 101.62 million and Baht 114.37 million, respectively and net profit (loss) for the years ended December 31, 2010 and 2009 of Baht (10.62) million and Baht (5.42) million, respectively. These financial statements were audited by an oversea auditor of the subsidiary. In addition, the consolidated financial statements included share of profit of an associated company for the years ended December 31, 2010 and 2009 of Baht 16.04 million and Baht 6.87 million, respectively. The financial statements of this associated company were audited by other auditor. As at December 31, 2010 and 2009, the consolidated financial statements included investments in this associated company accounted for under the equity method of Baht 58.12 million and Baht 45.69 million, respectively. My report on the consolidated financial statements, insofar as it relates to the amounts included for those subsidiaries and associated company is based solely on the audit 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 audit 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, 2010 and 2009, 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, 2010 and 2009, 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 22, 2011

2011/199/8892

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT DECEMBER 31, 2010 AND 2009**

		Baht				
		Consolidated balance sheets		Separate balance sheets		
Note		2010	2009	2010	2009	
<b>Current assets</b>						
	Cash and cash equivalents	5	130,665,163.07	122,808,746.54	115,466,412.91	64,937,910.15
	Investments in securities held-for-trading	6	1,905,000.00	4,327,500.00	-	-
	Trade account and note receivables, net	4, 7	110,324,874.82	111,501,275.43	109,190,940.01	111,847,076.62
	Inventories, net	8	69,698,179.28	46,345,059.81	62,547,847.89	40,454,438.98
	Subscription receivable		-	12,271,644.00	-	-
	Other current assets	4	18,322,392.12	10,727,760.44	6,730,969.85	4,722,202.58
	<b>Total current assets</b>		<b>330,915,609.29</b>	<b>307,981,986.22</b>	<b>293,936,170.66</b>	<b>221,961,628.33</b>
<b>Non-current assets</b>						
	Investment in subsidiaries, net	9	-	-	112,902,882.20	120,689,979.80
	Investment in associated company	10	58,123,682.49	45,686,776.30	35,784,300.00	35,784,300.00
	Long-term loans to subsidiary	4, 11	-	-	8,500,000.00	-
	Property, plant and equipment, net	12	282,623,403.96	276,554,814.28	207,074,333.48	220,361,140.94
	Intangible assets, net	13	7,576,194.86	8,556,418.13	7,383,694.86	8,451,418.13
	Leasehold right, net	14	19,631,318.44	22,768,281.68	-	-
	Other non-current assets		5,760,541.05	8,213,581.51	5,705,868.15	5,763,868.15
	<b>Total non-current assets</b>		<b>373,715,140.80</b>	<b>361,779,871.90</b>	<b>377,351,078.69</b>	<b>391,050,707.02</b>
	<b>TOTAL ASSETS</b>		<b>704,630,750.09</b>	<b>669,761,858.12</b>	<b>671,287,249.35</b>	<b>613,012,335.35</b>

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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**BALANCE SHEETS (CONT.)**

**AS AT DECEMBER 31, 2010 AND 2009**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	Baht			
		Consolidated balance sheets		Separate balance sheets	
		2010	2009	2010	2009
<b>Current liabilities</b>					
Trade account and note payables	4	109,192,940.31	118,406,473.65	109,017,094.65	117,903,811.32
Current portion of long-term loans from financial institution	16	20,040,000.00	6,950,000.00	20,040,000.00	6,950,000.00
Current portion of liabilities under hire-purchase agreements	17	2,779,184.33	1,121,518.65	2,651,774.74	938,324.11
Accrued expenses		14,666,251.51	13,294,104.20	14,220,535.46	12,535,073.10
Accrued income tax		5,315,859.59	11,224,422.53	5,315,859.59	4,377,767.88
Account payable for purchase assets		8,868,579.91	-	-	-
Other current liabilities		6,290,151.40	5,089,554.75	2,758,724.16	3,167,219.90
<b>Total current liabilities</b>		<b>167,152,967.05</b>	<b>156,086,073.78</b>	<b>154,003,988.60</b>	<b>145,872,196.31</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institution, net	16	56,536,000.00	33,206,000.00	56,536,000.00	33,206,000.00
Liabilities under hire-purchase agreements, net	17	1,195,699.05	765,712.33	1,195,699.05	638,239.99
<b>Total non-current liabilities</b>		<b>57,731,699.05</b>	<b>33,971,712.33</b>	<b>57,731,699.05</b>	<b>33,844,239.99</b>
<b>Total liabilities</b>		<b>224,884,666.10</b>	<b>190,057,786.11</b>	<b>211,735,687.65</b>	<b>179,716,436.30</b>

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, 2010 AND 2009**

**LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)**

		Baht			
		Consolidated balance sheets		Separate balance sheets	
Note		2010	2009	2010	2009
Shareholders' equity					
	Share capital	19			
	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				
	225,004,047 ordinary shares of Baht 1.00 each	225,004,047.00		225,004,047.00	
	219,931,904 ordinary shares of Baht 1.00 each		219,931,904.00		219,931,904.00
	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	4,640,400.00	3,422,100.00	4,640,400.00	3,422,100.00
	Currency translation changes of the financial statements of				
	foreign entity	(14,168,051.86)	(6,892,914.23)	-	-
	Retained earnings				
	Appropriated				
	- legal reserve	17,542,000.00	15,220,000.00	17,542,000.00	15,220,000.00
	- treasury shares reserve	39,578,659.43	39,578,659.43	39,578,659.43	39,578,659.43
	Unappropriated	99,450,712.76	82,232,805.32	100,948,614.70	83,305,395.05
	Total shareholders' equity of the company	483,464,267.33	464,909,054.52	499,130,221.13	472,874,558.48
	<u>Less</u> treasury shares	(39,578,659.43)	(39,578,659.43)	(39,578,659.43)	(39,578,659.43)
	Total shareholders' equity, net	443,885,607.90	425,330,395.09	459,551,561.70	433,295,899.05
	Minority interest in subsidiaries	35,860,476.09	54,373,676.92	-	-
	Total shareholders equity	479,746,083.99	479,704,072.01	459,551,561.70	433,295,899.05
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>704,630,750.09</b>	<b>669,761,858.12</b>	<b>671,287,249.35</b>	<b>613,012,335.35</b>

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, 2010 AND 2009**

		Baht			
		Consolidated statements of income		Separate statements of income	
	Note	2010	2009	2010	2009
<b>Revenues</b>					
Sales and services	4	699,979,669.37	626,388,884.46	685,623,807.59	572,280,403.25
Sales of customer lists and marketing datas		-	49,651,500.00	-	-
Dividend income	4, 9, 10	-	-	3,600,000.00	29,676,750.20
Other income	4	7,081,172.12	9,086,624.22	6,131,708.77	5,806,273.90
Total revenues		<u>707,060,841.49</u>	<u>685,127,008.68</u>	<u>695,355,516.36</u>	<u>607,763,427.35</u>
<b>Expenses</b>					
Cost of sales and services	4	516,042,299.62	462,421,130.42	506,249,335.31	429,916,750.36
Selling expenses		5,738,806.80	3,636,495.10	3,012,214.55	2,078,413.78
Administrative expenses	4	115,423,878.46	108,693,321.86	92,486,629.48	83,434,732.82
Management benefit expenses		29,773,656.60	26,696,377.54	25,315,890.71	23,410,464.98
Loss on impairment of investment in subsidiary		-	-	2,692,097.60	-
Total expenses		<u>666,978,641.48</u>	<u>601,447,324.92</u>	<u>629,756,167.65</u>	<u>538,840,361.94</u>
Share of profit of associated company	10	16,036,906.18	6,873,005.11	-	-
Profit before financial cost and income tax		56,119,106.19	90,552,688.87	65,599,348.71	68,923,065.41
Financial cost		3,484,256.25	3,616,371.05	3,472,721.02	3,279,093.16
Profit before income tax		52,634,849.94	86,936,317.82	62,126,627.69	65,643,972.25
Income tax	28	15,688,032.93	21,566,157.82	15,688,032.93	8,799,342.07
Net profit		<u>36,946,817.01</u>	<u>65,370,160.00</u>	<u>46,438,594.76</u>	<u>56,844,630.18</u>
<b>Net profit attributable to :</b>					
Shareholders of the parent		46,013,282.55	53,289,884.28	46,438,594.76	56,844,630.18
Minority interest in subsidiairies		(9,066,465.54)	12,080,275.72	-	-
<b>Basic earnings per share of parent company</b>					
Net profit	23	<u>0.2254</u>	<u>0.2639</u>	<u>0.2275</u>	<u>0.2815</u>
<b>Diluted earnings per share of parent company</b>					
Net profit	23	<u>0.1914</u>	<u>0.2259</u>	<u>0.1931</u>	<u>0.2410</u>

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, 2010 AND 2009**

Baht												
Consolidated statement changes in shareholder's equity												
	Note	Shareholders' equity of the parent							Minority interest in subsidiaries	Total		
		Share capital issued and paid-up	Premium on share capital	Share subscription received in advance	Currency translation changes of the financial statements of foreign entity	Retained earnings		Treasury shares			Total	
						Appropriated						Unappropriated
						- legal reserve	Treasury shares reserve					
Beginning balance, 2009		204,358,156.00	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
Currency translation changes of the financial statements of foreign entity					(8,767,722.25)					(8,767,722.25)	(7,123,765.24)	(15,891,487.49)
Net income (expenses) recognized directly in equity		-	-	-	(8,767,722.25)	-	-	-	-	(8,767,722.25)	(7,123,765.24)	(15,891,487.49)
Net profit for the year								53,289,884.28		53,289,884.28	12,080,275.72	65,370,160.00
Total income (expenses) for the year		-	-	-	(8,767,722.25)	-	-	53,289,884.28	-	44,522,162.03	4,956,510.48	49,478,672.51
Share capital paid-up										-	35,987,570.20	35,987,570.20
Increase in share capital from exercise of warrants	19	15,573,748.00								15,573,748.00	-	15,573,748.00
Share subscription received in advance from exercise of warrants	19			(8,146,300.00)						(8,146,300.00)	-	(8,146,300.00)
Legal reserve	20					2,899,000.00		(2,899,000.00)		-		-
Treasury shares reserve	21						6,460,885.20	(6,460,885.20)		-		-
Treasury shares	21								(6,460,885.20)	(6,460,885.20)		(6,460,885.20)
Dividend paid	22							(27,622,920.92)		(27,622,920.92)	(1,625,250.00)	(29,248,170.92)
Decrease in minority interest in subsidiaries											(23,278,467.25)	(23,278,467.25)
Ending balance, 2009		219,931,904.00	111,416,500.00	3,422,100.00	(6,892,914.23)	15,220,000.00	39,578,659.43	82,232,805.32	(39,578,659.43)	425,330,395.09	54,373,676.92	479,704,072.01
Currency translation changes of the financial statements of foreign entity					(7,275,137.63)					(7,275,137.63)	(4,458,955.31)	(11,734,092.94)
Net income (expenses) recognized directly in equity		-	-	-	(7,275,137.63)	-	-	-	-	(7,275,137.63)	(4,458,955.31)	(11,734,092.94)
Net profit (loss) for the year								46,013,282.55		46,013,282.55	(9,066,465.54)	36,946,817.01
Total income (expenses) for the year		-	-	-	(7,275,137.63)	-	-	46,013,282.55	-	38,738,144.92	(13,525,420.85)	25,212,724.07
Increase in share capital from exercise of warrants	19	5,072,143.00								5,072,143.00	-	5,072,143.00
Share subscription received in advance from exercise of warrants	19			1,218,300.00						1,218,300.00	-	1,218,300.00
Legal reserve	20					2,322,000.00		(2,322,000.00)		-		-
Dividend paid	22							(26,473,375.11)		(26,473,375.11)		(26,473,375.11)
Decrease in minority interest in subsidiaries											(4,987,779.98)	(4,987,779.98)
Ending balance, 2010		225,004,047.00	111,416,500.00	4,640,400.00	(14,168,051.86)	17,542,000.00	39,578,659.43	99,450,712.76	(39,578,659.43)	443,885,607.90	35,860,476.09	479,746,083.99

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



**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

		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, 2009		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
Net profit for the year							56,844,630.18		56,844,630.18
Total income for the year		-	-	-	-	-	56,844,630.18	-	56,844,630.18
Increase in share capital from exercise of warrants	19	15,573,748.00							15,573,748.00
Share subscription in advance from exercise of warrants	19			(8,146,300.00)					(8,146,300.00)
Legal reserve	20				2,899,000.00		(2,899,000.00)		-
Treasury shares reserve	21					6,460,885.20	(6,460,885.20)		-
Treasury shares	21							(6,460,885.20)	(6,460,885.20)
Dividend paid	22						(27,622,920.92)		(27,622,920.92)
Ending balance, 2009		219,931,904.00	111,416,500.00	3,422,100.00	15,220,000.00	39,578,659.43	83,305,395.05	(39,578,659.43)	433,295,899.05
Net profit for the year							46,438,594.76		46,438,594.76
Total income for the year		-	-	-	-	-	46,438,594.76	-	46,438,594.76
Increase in share capital from exercise of warrants	19	5,072,143.00							5,072,143.00
Share subscription in advance from exercise of warrants	19			1,218,300.00					1,218,300.00
Legal reserve	20				2,322,000.00		(2,322,000.00)		-
Dividend paid	22						(26,473,375.11)		(26,473,375.11)
Ending balance, 2010		225,004,047.00	111,416,500.00	4,640,400.00	17,542,000.00	39,578,659.43	100,948,614.70	(39,578,659.43)	459,551,561.70

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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Baht			
	Consolidated		Separate	
	statements of cash flows		statements of cash flows	
	2010	2009	2010	2009
<u>Cash flows from operating activities</u>				
Net profit	36,946,817.01	65,370,160.00	46,438,594.76	56,844,630.18
Items to reconcile net profit to net cash provided by (used in) operating activities :				
Unrealized (gain) loss on valuation of investment-held-for-trad	154,135.00	(259,856.25)	-	-
Allowance for doubtful accounts (reversal)	(39,999.92)	187,358.88	(39,999.92)	187,358.88
Depreciation and amortization	35,926,416.66	32,909,130.60	29,109,903.05	29,211,375.33
Loss on declining in value of inventories (reversal)	39,623.02	2,113,028.93	39,623.02	(60,533.57)
Loss on impairment of investment in subsidiary	-	-	2,692,097.60	-
(Gain) loss on sale of fixed assets	(805,368.92)	91,019.82	(1,097,179.11)	(719,721.27)
Written-off negative goodwill	-	(595,947.25)	-	-
Share of net profit in subsidiary	-	-	(85,986.55)	-
Share of net profit in associated company	(16,036,906.18)	(6,873,005.11)	-	-
Dividend income	-	-	(3,600,000.00)	(29,676,750.20)
Interest income	(302,664.96)	(542,172.15)	(491,390.43)	(13,454.56)
Interest expense	3,484,256.25	3,616,371.05	3,472,721.02	3,279,093.16
Income tax	15,688,032.93	21,566,157.82	15,688,032.93	8,799,342.07
Profit from operations before changes in operating assets and liabilities	75,054,340.89	117,582,246.34	92,126,416.37	67,851,340.02
(Increase) decrease in operating assets				
Investments in securities held-for-trading	2,268,365.00	(4,067,643.75)	-	-
Trade account and note receivables	1,216,400.53	5,945,375.46	2,696,136.53	37,682,713.72
Inventories	(23,392,742.49)	112,744,299.20	(22,133,031.93)	88,867,202.09
Other current assets	(7,594,631.68)	(205,131.80)	(1,935,254.94)	(174,907.25)
Other non-current assets	437,736.10	(371,864.14)	58,000.00	(60,000.00)
Increase (decrease) in operating liabilities				
Trade account and note payables	(9,213,533.34)	5,996,490.52	(8,886,716.67)	7,278,270.00
Accrued expenses	1,372,147.31	(14,869,876.00)	1,685,462.36	(14,695,324.35)
Other current liabilities	1,200,596.65	(42,029.55)	(408,495.74)	(1,007,463.10)
Cash generated from operation	41,348,678.97	222,711,866.28	63,202,515.98	185,741,831.13
Cash received from interest income	302,664.96	542,172.15	417,878.10	13,454.56
Cash paid for income tax	(21,252,059.13)	(18,977,205.35)	(14,749,941.22)	(11,905,703.22)
Net cash provided by operating activities	20,399,284.80	204,276,833.08	48,870,452.86	173,849,582.47

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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS (CONT.)**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Baht			
	Consolidated		Separate	
	statements of cash flows		statements of cash flows	
	2010	2009	2010	2009
<u>Cash flows from investing activities</u>				
Cash received from capital pay back of subsidiary	-	-	5,180,986.55	-
Cash paid for capital pay back of subsidiary	(4,987,779.98)	-	-	-
Cash paid for investments in subsidiaries	-	(24,432,520.00)	-	(87,988,251.80)
Cash paid for investment in related company	-	(60,000.00)	-	(60,000.00)
Cash paid for loans to subsidiary	-	-	(8,500,000.00)	-
Cash received from dividend	3,600,000.00	9,552,000.00	3,600,000.00	29,676,750.20
Cash received from dividend - capital pay back	-	-	-	14,550,000.00
Cash paid for purchases of fixed assets	(26,765,464.83)	(62,595,068.77)	(10,659,483.54)	(7,208,018.34)
Cash received from sale of fixed assets	3,027,778.65	3,120,858.67	1,567,040.33	5,095,210.67
Cash paid for intangible asset	(87,500.00)	(1,899,250.00)	-	(1,794,250.00)
Net cash used in investing activities	<u>(25,212,966.16)</u>	<u>(76,313,980.10)</u>	<u>(8,811,456.66)</u>	<u>(47,728,559.27)</u>
<u>Cash flows from financing activities</u>				
Decrease in overdraft and short-term loans from financial institution	-	(85,000,000.00)	-	(85,000,000.00)
Cash received from long - term loans from financial institution	45,000,000.00	20,000,000.00	45,000,000.00	20,000,000.00
Cash paid for long - term loans from financial institution	(8,580,000.00)	-	(8,580,000.00)	-
Cash paid for hire-purchase agreements	(2,478,097.60)	(1,795,340.21)	(2,294,840.31)	(1,556,670.86)
Cash paid for treasury shares	-	(6,460,885.20)	-	(6,460,885.20)
Cash received from issued ordinary shares	12,271,644.00	23,715,926.20	-	-
Cash received from exercise of warants	6,290,443.00	7,427,448.00	6,290,443.00	7,427,448.00
Cash paid for dividend	(26,473,375.11)	(29,248,170.92)	(26,473,375.11)	(27,622,920.92)
Cash paid for interest expenses	(3,484,256.25)	(3,616,371.05)	(3,472,721.02)	(3,279,093.16)
Net cash provided by (used in) financing activities	<u>22,546,358.04</u>	<u>(74,977,393.18)</u>	<u>10,469,506.56</u>	<u>(96,492,122.14)</u>
Decrease currency translation changes of financial statements of foreign entity	<u>(9,876,260.15)</u>	<u>(8,646,717.23)</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	7,856,416.53	44,338,742.57	50,528,502.76	29,628,901.06
Cash and cash equivalents, at beginning of year	<u>122,808,746.54</u>	<u>78,470,003.97</u>	<u>64,937,910.15</u>	<u>35,309,009.09</u>
Cash and cash equivalents, at end of year	<u><u>130,665,163.07</u></u>	<u><u>122,808,746.54</u></u>	<u><u>115,466,412.91</u></u>	<u><u>64,937,910.15</u></u>
<u>Supplemental disclosures of cash flows information :</u>				
Non - monetary transactions				
The Company acquired vehicle by entering into hire - purchase agreements	4,565,750.00	1,719,876.17	4,565,750.00	1,350,250.00

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, 2010 AND 2009**

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, 402/3-6 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, packaging coatings and others.

The company's major shareholder is Eksang holdings Co., Ltd. who held 49.21% of the paid-up share capital (as Eksang holdings Co., Ltd. held 100% by Eksangkul family) and the rest 9.77% is held by the person from Eksangkul family, making up 58.98% in total shareholding.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

2.1 The financial statements have been prepared in accordance with accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E. 2547. The presentation of financial statements has been made compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re: the financial statements presentation for public company limited, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

2.2 BASIS FOR CONSOLIDATION

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

Company	Located	Main business	Percentage of holding	
			2010	2009
N.O.F (Thailand) Ltd.	312 Soi Phaholyothin 32, Phaholyothin Road, Chankasem Jatujak, Bangkok, Thailand.	Under the process to establish policy and strategic plan	99.98	99.98
Eason Watson Coating Ltd.	402/3 Soi Phaholyothin 32, Phaholyothin Road, Chankasem Jatujak, Bangkok, Thailand.	Trading of industrial paints products for packaging coatings During year 2010, the Company has already dissolved the company and paid capital back to the shareholders (see note 9)	-	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
Bright Blue Water Corp. Ltd.	240/44-45 Ayothaya Tower Ratchadaphisek Road, Huai Khwang, Bangkok, Thailand.	Selling and services air purifiers and water filtration devices	60.00	60.00

The financial statements of an 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 inter-company 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, 2010 AND 2009**

2.3 Adoption of new accounting standards during the year

During the year 2010, the Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009, new issued of accounting standards and financial reporting standards and the interpretation, totalling 32 standards, as follows.

	Framework for the Preparation and Presentation of Financial Statements (revised 2009)
TAS 1	(revised 2009) Presentation of Financial Statements
TAS 2	(revised 2009) Inventories
TAS 7	(revised 2009) Statement of Cash Flows
TAS 8	(revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(revised 2009) Events after the Reporting Period
TAS 11	(revised 2009) Construction Contracts
TAS 12	Income Taxes
TAS 16	(revised 2009) Property, Plant and Equipment
TAS 17	(revised 2009) Leases
TAS 18	(revised 2009) Revenue
TAS 19	Employee Benefits
TAS 20	(revised 2009) Accounting for Government Grants and Disclosure of Government Assistance
TAS 21	(revised 2009) The Effects of Changes in Foreign Exchange Rates
TAS 23	(revised 2009) Borrowing Costs
TAS 24	(revised 2009) Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27	(revised 2009) Consolidated and Separate Financial Statements
TAS 28	(revised 2009) Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31	(revised 2009) Interests in Joint Ventures
TAS 33	(revised 2009) Earnings per Share
TAS 34	(revised 2009) Interim Financial Reporting
TAS 36	(revised 2009) Impairment of Assets
TAS 37	(revised 2009) Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(revised 2009) Intangible Assets
TAS 40	(revised 2009) Investment Property
TFRS 2	Share-based Payment
TFRS 3	(revised 2009) Business Combinations
TFRS 5	(revised 2009) Non-current Assets Held for sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

These accounting standards and financial reporting standards are effective for the fiscal year beginning on or after January 1, 2011, except for TAS 12, TAS 20 and TAS 21, they are effective for the fiscal year beginning on or after January 1, 2013.

The management of the Company has assessed the effect of these accounting standards and financial reporting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for TAS 12 Income Taxes, TAS 16 (revised 2009) Property, Plant and Equipment, TAS 19 Employee Benefits and TAS 40 (revised 2009) Investment Property. The management of the Company is in the process of reviewing the effect of such accounting standards to the financial statements for the year in which they are initially applied.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Recognition of revenues and expenses**

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

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

**3.2 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.

**3.3 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.

**3.4 Inventories**

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

The Company determines the cost by the calculation from standard cost which is adjusted approximately to the actual cost based on moving average cost method.

The subsidiaries determine the cost by the specific identification method.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and goods in progress, cost includes and appropriate share of overheads based on normal production capacity.

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.

3.5 Investments

Investments in securities held-for-trading as marketable securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in statement of income.

Investments 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.

3.6 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 - 10 years
Lab equipment	5 - 10 years
Electric equipment	3 - 6 years
Water - purifier for leases	5 years
Office equipment	3 - 6 years
Office decoration	3 - 6 years
Vehicle	6 - 10 years



**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

3.7 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.

3.8 Leasehold right

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

3.9 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.

3.10 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.

3.11 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.

3.12 Use of accounting estimation

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.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

3.13 Employee benefits

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

The Company issued warrants to purchase the ordinary shares to the directors and employees of the Company. The transaction will be recorded in the financial statements when the warrants are exercised.

3.14 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.

3.15 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever, the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in current operations.

3.16 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.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

3.17 Income tax

The Company and its subsidiaries recorded corporate income tax is calculated from net income for the years adjusted by the items defined under the Revenue Code.

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

4. TRANSACTIONS WITH RELATED COMPANIES

	Nature of business	Country of incorporation	Relationship
<u>Subsidiary companies</u>			
N.O.F (Thailand) Ltd.	Under the process to establish policy and strategic plan	Thailand	99.98% of holding, Co - Director/Shareholder
Eason Watson Coating Ltd.	During year 2010, the Company has already dissolved the company and paid capital back to the shareholders (see note 9)	Thailand	50.95% of holding, Co - Director/Shareholder
Eason Urai Paint Co., Ltd.	Manufacturing and selling of industrial paint	Vietnam	62% of holding, Co - Director/Shareholder
Bright Blue Water Corp. Ltd.	Selling and services air purifiers and water filtration devices	Thailand	60% of holding, Co - Director/Shareholder
<u>Associated company</u>			
Origin Eason Paint Co., Ltd.	Manufacturing and selling of plastic and chemical paints	Thailand	40% of holding, Co - Director/Shareholder
<u>Related companies</u>			
Eksang holdings Co., Ltd.	Rental of office and warehouse	Thailand	49.21% of holding in the Company
Watson Standard Asia Inc.	Manufacturing and selling of industrial paints	America	49% of holding in subsidiary company
Urai Panich Co., Ltd.	Manufacturing and selling of industrial paints	Thailand	30% of holding in subsidiary company
Bright Water Coway Co., Ltd.	Selling and services air purifiers and water filtration devices	Thailand	Co - Director/Shareholder in subsidiary company

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

Pricing policy

- |                             |   |
|-----------------------------|---|
| Selling income              | - 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               | - Warehouse and office rental depending on actual space are approximately Baht 15,564 - 400,000 per month in accordance with agreements.  |
| Service income              | - Logistics services including the related administrative work in lump-sum are approximately Baht 6,080 - 150,000 per month plus increase in transport from the agreed rate of fuel cost in accordance with agreements.<br><br>- Administrative fee at Baht 1,200,000 per year and since October 2009 to March 2010, at Baht 15,000 per month.  |
| Interest income             | - At the rate of MLR - 1.25% and MLR - 1.5% per annum   |
| Purchasing                  | - Market value except licensed raw materials are agreed upon pricing method.  |
| Rental charge               | - Office and warehouse rental are charged at Baht 107,000-321,100 per month in accordance with agreements.  |
| Other expenses              | - Raw materials for research and development are charged at market value.<br><br>- Administrative fee is charged at agreed upon price.  |
| Purchase of asset for lease | - Book value and at agreed upon pricing method.   |

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

The Company has significant transactions with its subsidiaries and related companies are as following :

	Baht			
	Consolidated statements of income		Separate statements of income	
	2010	2009	2010	2009
<u>Transactions in the statement of income</u>				
<b>Sales</b>				
Eason Urai Paint Co., Ltd.	-	-	2,883,311.57	-
Eason Watson Coating Co., Ltd.	-	-	-	27,869,665.00
Origin Eason Paint Co., Ltd.	535,997.00	162,485.00	535,997.00	162,485.00
Miki (Thailand) Co., Ltd.	2,320.00	-	2,320.00	-
Watson Standard Asia Inc.	2,491,079.31	-	2,491,079.31	-
	<u>3,029,396.31</u>	<u>162,485.00</u>	<u>5,912,707.88</u>	<u>28,032,150.00</u>
<b>Rental and service income</b>				
N.O.F (Thailand) Ltd.	-	-	-	460,780.80
Eason Watson Coating Co., Ltd.	-	-	205,537.32	1,062,920.00
Bright Blue Water Corp. Ltd.	-	-	340,000.00	98,560.76
Origin Eason Paint Co., Ltd.	9,502,098.81	9,287,047.87	9,502,098.81	9,287,047.87
Miki (Thailand) Co., Ltd.	72,145.00	-	72,145.00	-
	<u>9,574,243.81</u>	<u>9,287,047.87</u>	<u>10,119,781.13</u>	<u>10,909,309.43</u>
<b>Dividend income</b>				
N.O.F. (Thailand) Ltd.	-	-	-	18,443,400.00
Eason Watson Coating Co., Ltd.	-	-	-	1,681,350.00
Origin Eason Paint Co., Ltd.	3,600,000.00	9,552,000.00	3,600,000.00	9,552,000.00
	<u>3,600,000.00</u>	<u>9,552,000.00</u>	<u>3,600,000.00</u>	<u>29,676,750.00</u>
<b>Gain a sale of fixed asset</b>				
N.O.F. (Thailand) Ltd.	-	-	-	453,883.88
	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,883.88</u>
<b>Other income</b>				
Eason Urai Paint Co., Ltd.	-	-	1,201,649.00	-
Bright Blue Water Corp. Ltd.	-	-	209,995.91	-
	<u>-</u>	<u>-</u>	<u>1,411,644.91</u>	<u>-</u>
<b>Purchases</b>				
Eason Watson Coating Co., Ltd.	-	-	-	2,111,354.00
Origin Eason Paint Co., Ltd.	785,682.00	1,714,051.92	785,682.00	1,714,051.92
Watson Standard Asia Inc.	-	1,604,782.52	-	1,604,782.52
	<u>785,682.00</u>	<u>3,318,834.44</u>	<u>785,682.00</u>	<u>5,430,188.44</u>
<b>Other expense</b>				
Eksang holdings Co., Ltd.	5,497,200.00	5,137,200.00	5,497,200.00	5,137,200.00
Bright Blue Water Corp. Ltd.	-	-	314,858.89	-
	<u>5,497,200.00</u>	<u>5,137,200.00</u>	<u>5,812,058.89</u>	<u>5,137,200.00</u>

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
<u>Outstanding balances at the balance sheet dates</u>				
Trade account and note receivables				
Eason Urai Paint Co., Ltd.	-	-	-	697,543.00
Origin Eason Paint Co., Ltd.	159,258.80	6,090.44	159,258.80	6,090.44
Miki (Thailand) Co., Ltd.	29,318.00	-	29,318.00	-
	<u>188,576.80</u>	<u>6,090.44</u>	<u>188,576.80</u>	<u>703,633.44</u>
Long term - loans to				
Bright Blue Water Corp. Ltd.	-	-	8,500,000.00	-
Other current assets :				
Rental and service income receivable				
N.O.F (Thailand) Ltd.	-	-	-	39,996.78
Bright Blue Water Corp. Ltd.	-	-	32,100.00	64,200.00
Origin Eason Paint Co., Ltd.	2,407,393.56	1,814,768.77	2,407,393.56	1,814,768.77
	<u>2,407,393.56</u>	<u>1,814,768.77</u>	<u>2,439,493.56</u>	<u>1,918,965.55</u>
Advance payment				
Eason Urai Paint Co., Ltd.	-	-	490,558.25	428,166.95
Prepaid expenses				
Bright Water Coway Co., Ltd.	-	500,000.00	-	-
Accrued interest				
Bright Blue Water Corp. Ltd.	-	-	30,061.65	-
Trade account and note payables				
Bright Blue Water Corp. Ltd.	-	-	130,690.00	-
Origin Eason Paint Co., Ltd.	11,074.50	181,097.50	11,074.50	181,097.50
	<u>11,074.50</u>	<u>181,097.50</u>	<u>141,074.50</u>	<u>181,097.50</u>

Management benefit expenses

Management benefit expenses represents the benefits paid to the Company's management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

Management benefit expenses for years ended December 31, 2010 and 2009 amounted to Baht 25.32 million and Baht 26.70 million, respectively for the consolidated financial statements and amounted to Baht 29.77 million and Baht 23.41 million, respectively for the separate financial statements.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of :-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Cash on hand	325,956.12	414,856.48	143,509.56	120,483.36
Cheques in hand	-	791,537.35	-	791,537.35
Cash at banks - current account	88,357,493.01	44,111,375.32	75,305,099.46	40,435,162.95
Cash at banks - savings account	11,981,713.94	77,490,977.39	10,017,803.89	23,590,726.49
Bill of exchange - 83 days (Interest rate at 1.72% per annum, maturity on 1/02/11)	30,000,000.00	-	30,000,000.00	-
<b>Total</b>	<b>130,665,163.07</b>	<b>122,808,746.54</b>	<b>115,466,412.91</b>	<b>64,937,910.15</b>

**6. INVESTMENTS IN SECURITIES HELD-FOR-TRADING**

Investments in securities held-for-trading as shown in the balance sheets at fair value are as follows:-

	Baht			
	Consolidated balance sheets			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Investments in equity	2,059,135.00	1,905,000.00	4,067,643.75	4,327,500.00

A subsidiary has recorded changes in the value of investments in securities held-for-trading as unrealized gain or loss, net in the income statement in the period.

**7. TRADE ACCOUNT AND NOTE RECEIVABLES**

Trade account and note receivables consisted of:-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Trade note receivables	2,570,383.16	3,773,563.73	2,570,383.16	3,773,563.73
Trade account receivables	108,208,441.69	108,221,661.73	107,074,506.88	108,567,462.92
<b>Total</b>	<b>110,778,824.85</b>	<b>111,995,225.46</b>	<b>109,644,890.04</b>	<b>112,341,026.65</b>
<u>Less allowance for doubtful accounts</u>	<u>(453,950.03)</u>	<u>(493,950.03)</u>	<u>(453,950.03)</u>	<u>(493,950.03)</u>
<b>Net</b>	<b>110,324,874.82</b>	<b>111,501,275.43</b>	<b>109,190,940.01</b>	<b>111,847,076.62</b>



**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Current	88,515,056.63	92,794,613.57	88,240,779.47	91,745,328.76
Overdue 0 day to 90 days	20,172,591.31	18,537,011.22	19,944,551.66	19,932,097.22
Overdue 91 days to 180 days	1,169,636.88	169,650.64	1,005,608.88	169,650.64
Overdue 181 days to 360 days	328,400.00	-	-	-
Overdue from 361 days onwards	593,140.03	493,950.03	453,950.03	493,950.03
Total	110,778,824.85	111,995,225.46	109,644,890.04	112,341,026.65
<u>Less allowance for doubtful accounts</u>	(453,950.03)	(493,950.03)	(453,950.03)	(493,950.03)
Net	110,324,874.82	111,501,275.43	109,190,940.01	111,847,076.62

**8. INVENTORIES**

Inventories consisted of:-

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Finished goods	14,738,848.33	14,613,093.20	10,086,931.87	9,371,391.26
Work in process	25,398.46	201,946.26	25,398.46	201,946.26
Raw materials	52,696,020.82	29,646,104.82	51,002,610.14	29,646,104.82
Supplies	1,674,772.88	1,560,060.67	869,768.63	911,141.78
Package	1,018,821.73	739,914.78	1,018,821.73	739,914.78
Total	70,153,862.22	46,761,119.73	63,003,530.83	40,870,498.90
<u>Less provision for declining in value</u>				
of inventories	(455,682.94)	(416,059.92)	(455,682.94)	(416,059.92)
Net	69,698,179.28	46,345,059.81	62,547,847.89	40,454,438.98

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

9. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as shown in separate balance sheets are as follows: -

	Number of share		Percentage of holding		Baht			
					At cost		Dividend	
	2010	2009	2010	2009	2010	2009	2010	2009
<u>Subsidiary companies</u>								
N.O.F (Thailand) Ltd.	19,996	19,996	99.98	99.98	9,152,120.00	9,152,120.00	-	18,443,400.00
<u>Less allowance for impairment of investment</u>					<u>(2,692,097.60)</u>	<u>-</u>		
Net					6,460,022.40	9,152,120.00		
Eason Watson Coating Ltd.	-	5,095	-	50.95	-	5,095,000.00	-	1,681,350.00
Eason Urai Paint Co., Ltd.	2,480	2,480	62.00	62.00	85,442,859.80	85,442,859.80	-	-
Bright Blue Water Corp. Ltd.	21,000	21,000	60.00	60.00	21,000,000.00	21,000,000.00	-	-
Total					<u>112,902,882.20</u>	<u>120,689,979.80</u>	<u>-</u>	<u>20,124,750.00</u>

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

The financial statement of N.O.F. (Thailand) Ltd., was included in the consolidated statements consisted total assets as at December 31, 2010 and 2009 of Baht 6.51 million and Baht 14.87 million, respectively, and net profit (loss) for the years ended December 31, 2010 and 2009 of Baht (1.39) million and Baht 28.11 million, respectively based on the financial statements which were audited by auditor of subsidiary.

As at December 31, 2010, N.O.F. (Thailand) Ltd. is under the process to establish policy and strategic plan. Therefore, the Company has recorded allowance for impairment of investment by considering from operating result at present.

Investments in subsidiary - Eason Watson Coating Ltd.

Eason Watson Coating Ltd. has stopped the operation since end of Quarter 2/2009, Eason Paint Public Company Limited is manufacturing and selling of packaging coatings to customer directly. As at March 31, 2010, the shareholders of Eason Watson Coating Ltd. has approved to dissolve the Company, and registered to dissolve the Company with the Ministry of commerce on May 25, 2010 which repayment its capital to the Company in the amount of Baht 5.18 million on December 21, 2010, and such subsidiary has registered the completely liquidation on January 7, 2011.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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

The financial statements of Eason Urai Paint Co., Ltd., was included in the consolidated statements consisted total assets as at December 31, 2010 and 2009 of Baht 101.62 million and Baht 114.37 million, respectively, and net loss for the years ended December 31, 2010 and 2009 of Baht 10.62 million and Baht 5.42 million, based on the financial statements which were audited by an overseas auditor of the subsidiary.

Investments in subsidiary - Bright Blue Water Corp. Ltd.

The financial statement of Bright Blue Water Corp. Ltd. was included in the consolidated statements consisted total assets as at December 31, 2010 and 2009 of Baht 25.33 million and Baht 29.72 million, respectively, and net loss for the years ended December 31, 2010 and 2009 of Baht 12.29 million and Baht 8.09 million, respectively based on the financial statements which were audited by auditor of subsidiary.

10. INVESTMENT IN ASSOCIATED COMPANY

Investment in associated company consisted of:-

	Number of share	Percentage of holding	Baht					
			Consolidated balance sheets		Separate balance sheets			
			At equity		At cost		Dividend	
		2010	2009	2010	2009	2010	2009	
<u>Associated Company</u>								
Origin Eason Paint Co., Ltd.	120,000	40	<u>58,123,682.49</u>	<u>45,686,776.30</u>	<u>35,784,300.00</u>	<u>35,784,300.00</u>	<u>3,600,000.00</u>	<u>9,552,000.00</u>

Share of profit of Origin Eason Paint Co., Ltd., was included in the consolidated statement of income for the years ended December 31, 2010 and 2009 of Baht 16.04 million and Baht 6.87 million, respectively based on the financial statements which were audited by auditor of associate.

11. LONG-TERM LOANS TO SUBSIDIARY

As at December 31, 2010, the Company has six long-term loans to a subsidiary in the total of Baht 8.50 million, the term of loans is 4 years with the interest rate at year 1<sup>st</sup> - 2<sup>nd</sup> MLR - 1.5% year 3<sup>rd</sup> - 4<sup>th</sup> MLR - 1.25%. The principal repayments monthly of Baht 168,000.00, and starting on the nineteenth month and pay interest every month until the repayment completed.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of:-

	Baht			
	Consolidated balance sheets			
	Balance per book Dec. 31, 2009	Additions	Deductions	Balance per book Dec. 31, 2010
<u>At cost</u>				
Land	46,317,697.10	102,130.00	-	46,419,827.10
Building and building improvement	143,126,726.25	55,921,831.53	(10,936.71)	199,037,621.07
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	74,206,013.62	8,543,539.20	(789,594.60)	81,959,958.22
Lab equipment	16,213,250.71	1,118,894.85	(309,434.51)	17,022,711.05
Electric equipment	7,078,841.62	412,622.94	(3,609,572.26)	3,881,892.30
Water-purifier for leases	17,185,689.07	1,455,987.32	(649,000.00)	17,992,676.39
Office equipment	24,568,535.90	1,480,648.75	(1,631,106.48)	24,418,078.17
Office decoration	15,656,886.16	846,809.80	(371,249.85)	16,132,446.11
Vehicle	45,637,133.03	7,784,621.41	(6,926,452.17)	46,495,302.27
Machinery and equipment installation	4,888,051.98	2,480,074.98	(3,885,242.18)	3,482,884.78
Building in progress	30,456,154.24	24,777,203.29	(55,233,357.53)	-
Total	<u>446,246,855.25</u>	<u>104,924,364.07</u>	<u>(73,415,946.29)</u>	<u>477,755,273.03</u>
<u>Less accumulated depreciation</u>				
Building and building improvement	30,393,431.44	8,436,625.63	(8,100.91)	38,821,956.16
Building for lease	5,956,131.93	1,075,326.03	-	7,031,457.96
Machinery and equipment	58,653,661.72	10,808,600.15	(757,344.96)	68,704,916.91
Lab equipment	12,892,052.89	1,565,219.49	(308,911.69)	14,148,360.69
Electric equipment	5,108,219.72	664,784.28	(3,609,567.26)	2,163,436.74
Water-purifier for leases	1,402,741.36	3,535,679.11	(125,866.67)	4,812,553.80
Office equipment	15,366,021.16	3,341,330.00	(1,484,770.60)	17,222,580.56
Office decoration	9,184,113.36	2,596,875.22	(361,100.78)	11,419,887.80
Vehicle	30,611,538.01	5,424,398.41	(5,429,310.61)	30,606,625.81
Total	<u>169,567,911.59</u>	<u>37,448,838.32</u>	<u>(12,084,973.48)</u>	<u>194,931,776.43</u>
Currency translation changes of financial statements of foreign entity	<u>(124,129.38)</u>			<u>(200,092.64)</u>
Property, plant and equipment, net	<u>276,554,814.28</u>			<u>282,623,403.96</u>

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

	Baht			
	Separate balance sheets			
	Balance per book Dec. 31, 2009	Additions	Deductions	Balance per book Dec. 31, 2010
<u>At cost</u>				
Land	46,317,697.10	102,130.00	-	46,419,827.10
Building and building improvement	143,126,726.25	688,474.00	(10,936.71)	143,804,263.54
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	74,206,013.62	8,543,539.20	(789,594.60)	81,959,958.22
Lab equipment	15,919,566.50	1,118,894.85	(309,434.51)	16,729,026.84
Electric equipment	7,078,841.62	412,622.94	(3,609,572.26)	3,881,892.30
Office equipment	20,315,274.59	802,478.48	(964,229.11)	20,153,523.96
Office decoration	15,448,286.47	846,809.80	(358,949.85)	15,936,146.42
Vehicle	28,739,914.68	7,706,116.73	(3,606,452.17)	32,839,579.24
Machinery and equipment in stallation	4,888,051.98	2,480,074.98	(3,885,242.18)	3,482,884.78
Total	<u>376,952,248.38</u>	<u>22,701,140.98</u>	<u>(13,534,411.39)</u>	<u>386,118,977.97</u>
<u>Less accumulated depreciation</u>				
Building and building improvement	30,393,431.44	8,436,625.63	(8,100.91)	38,821,956.16
Building for lease	5,956,131.93	1,075,326.03	-	7,031,457.96
Machinery and equipment	58,653,661.72	10,808,600.15	(757,344.96)	68,704,916.91
Lab equipment	12,866,852.89	1,506,482.49	(308,911.69)	14,064,423.69
Electric equipment	5,108,219.72	664,784.28	(3,609,567.26)	2,163,436.74
Office equipment	14,326,381.29	2,550,828.82	(926,518.83)	15,950,691.28
Office decoration	9,001,902.82	2,588,041.72	(348,803.78)	11,241,140.76
Vehicle	20,284,525.63	4,002,153.92	(3,220,058.56)	21,066,620.99
Total	<u>156,591,107.44</u>	<u>31,632,843.04</u>	<u>(9,179,305.99)</u>	<u>179,044,644.49</u>
Property, plant and equipment, net	<u>220,361,140.94</u>			<u>207,074,333.48</u>

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, 2010 and 2009 of Baht 13.88 million and Baht 14.96 million, respectively. 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, 2010 and 2009, the Company and its subsidiaries have vehicles purchased under hire-purchase agreements total book value of Baht 9.96 million and Baht 5.19 million, respectively. And the Company has vehicles purchased under hire-purchase agreements total book value of Baht 9.56 million and Baht 4.68 million, respectively.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

As at December 31, 2010 and 2009, the fully depreciated plant and equipment that still in use were at cost of Baht 85.08 million and Baht 78.16 million, respectively for the consolidated financial statement and at cost of Baht 80.60 million and Baht 73.21 million, respectively for the separate financial statement.

As at December 31, 2010 and 2009, the Company have to comply with certain conditions of loan agreement under the credit line of Baht 100 million (see Note 16) that the Company shall not create negative pledge on its land and construction including the plant, head office and machinery.

13. INTANGIBLE ASSETS

Intangible assets consisted of :-

	Baht			
	Consolidated balance sheets			
	Balance per book Dec. 31, 2009	Additions	Deductions	Balance per book Dec. 31, 2010
<u>At cost</u>				
Technical license	8,810,162.83	-	-	8,810,162.83
Computer software	9,587,550.00	-	-	9,587,550.00
Computer software installation	105,000.00	87,500.00	-	192,500.00
Total	18,502,712.83	87,500.00	-	18,590,212.83
<u>Less accumulated amortization</u>				
Technical license	8,618,484.27	56,074.59	-	8,674,558.86
Computer software	1,327,810.43	1,011,648.68	-	2,339,459.11
Total	9,946,294.70	1,067,723.27	-	11,014,017.97
Intangible assets, net	<u>8,556,418.13</u>			<u>7,576,194.86</u>
	Baht			
	Separate balance sheets			
	Balance per book Dec. 31, 2009	Additions	Deductions	Balance per book Dec. 31, 2010
<u>At cost</u>				
Technical license	8,810,162.83	-	-	8,810,162.83
Computer software	9,587,550.00	-	-	9,587,550.00
Total	18,397,712.83	-	-	18,397,712.83
<u>Less accumulated amortization</u>				
Technical license	8,618,484.27	56,074.59	-	8,674,558.86
Computer software	1,327,810.43	1,011,648.68	-	2,339,459.11
Total	9,946,294.70	1,067,723.27	-	11,014,017.97
Intangible assets, net	<u>8,451,418.13</u>			<u>7,383,694.86</u>

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

14. LEASEHOLD RIGHT

Leasehold right consisted of :-

	Baht			
	Consolidated balance sheets			
	Balance per book Dec. 31, 2009	Additions	Deductions	Balance per book Dec. 31, 2010
<u>At cost</u>				
Leasehold right - land	27,990,331.00	-	-	27,990,331.00
<u>Less accumulated amortization</u>	1,708,330.00	788,459.96	-	2,496,789.96
	<u>26,282,001.00</u>	<u>788,459.96</u>	<u>-</u>	<u>25,493,541.04</u>
Currency translation changes of				
financial statements of foreign entity	(3,513,719.32)			(5,862,222.60)
Leasehold right, net	<u>22,768,281.68</u>			<u>19,631,318.44</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.

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

As at December 31, 2010 and 2009, the Company has total credit facilities Baht 230 million with three 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 60 million and Forward Contract Baht 10 million and USD 1.5 million, which these loans are no guarantee. And not yet withdrawal the such loans.

16. LONG-TERM LOANS FROM FINANCIAL INSTITUTION

Long - term loans from financial institution consisted of :

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Long-term loans from financial institution	76,576,000.00	40,156,000.00	76,576,000.00	40,156,000.00
<u>Less current portion due within one year</u>	(20,040,000.00)	(6,950,000.00)	(20,040,000.00)	(6,950,000.00)
Net	<u>56,536,000.00</u>	<u>33,206,000.00</u>	<u>56,536,000.00</u>	<u>33,206,000.00</u>

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

As at December 31, 2010 and 2009, the Company has a long-term loans amounted to Baht 76.58 million and Baht 40.16 million, respectively 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 84<sup>th</sup> 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.

And during the year 2009, the Company had changed condition of agreement referred to above by reschedule to repay the principal on monthly installment of Baht 1.67 million, 60 installments, starting from August 2010 and shall be completed on July 2015.

17. LIABILITIES UNDER HIRE-PURCHASE AGREEMENTS

Liabilities under hire-purchase agreements consisted of:

	Baht			
	Consolidated balance sheets		Separate balance sheets	
	2010	2009	2010	2009
Liabilities under hire-purchase agreements	4,115,458.90	1,987,639.56	3,985,597.22	1,662,985.36
<u>Less</u> deferred interest	(140,575.52)	(100,408.58)	(138,123.43)	(86,421.26)
	3,974,883.38	1,887,230.98	3,847,473.79	1,576,564.10
<u>Less</u> current portion due within one year	(2,779,184.33)	(1,121,518.65)	(2,651,774.74)	(938,324.11)
Net	1,195,699.05	765,712.33	1,195,699.05	638,239.99

As at December 31, 2010 and 2009, the Company and its subsidiary have 7 hire - purchase agreements for vehicle with two local commercial banks in the amount of Baht 6.59 million and Baht 4.01 million (Included VAT), respectively with a term of 24 - 36 months, and repayable monthly at Baht 0.26 million and Baht 0.15 million (Included VAT), respectively.

And the Company has 6 hire-purchase agreements for vehicle with two local commercial banks and 5 hire - purchase agreements for vehicle with a local commercial bank in the amount of Baht 6.22 million and Baht 3.39 million (Included VAT), respectively with a term of 24 - 36 months, and repayable monthly at Baht 0.24 million and Baht 0.13 million (Included VAT), respectively.



**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

As at December 31, 2010, 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	2,779,184.33	121,664.50	2,900,848.83	2,651,774.74	119,212.41	2,770,987.15
Payment due over 1 year to 5 years	1,195,699.05	18,911.02	1,214,610.07	1,195,699.05	18,911.02	1,214,610.07
Total	3,974,883.38	140,575.52	4,115,458.90	3,847,473.79	138,123.43	3,985,597.22

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.

**18. CAPITAL MANAGEMENT**

The primary objective of capital management of the Company and its subsidiaries is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheets as at December 31, 2010 and 2009 debt-to-equity ratio were follows :-

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Debt-to-equity ratio	0.47 : 1	0.40 : 1	0.46 : 1	0.41 : 1

**19. 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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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 price	:	Baht 1 per unit
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

During the year 2010, 5,820,500 warrants were exercised to purchase 5,820,500 new ordinary shares at Baht 1 each, in the amount of Baht 5,820,500.00 which the Company registered as paid - up shares capital in the amount of Baht 1,180,100.00 with the Ministry of Commerce on July 6, 2010. And the rest of Baht 4,640,400.00 the Company has registered as paid - up shares capital with the Ministry of Commerce on January 10, 2011. The Company recorded the share subscription received from exercise of EASON-W1 warrants of Baht 4,640,400.00 as "Share subscription received in advance" in the balance sheet as at December 31, 2010.

As at December 31, 2010, the Company had 76,804,938 EASON-W1 warrants remaining unexercised.

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

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 30, 2010 AND 2009**

Exercise period	: On the last working day of February and August of each year throughout the covered period of the warrant
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

During the year 2010, 469,943 warrants were the last exercised to purchase 469,943 new ordinary shares at Baht 1 each, in the amount of Baht 469,943.00 which the Company had registered as paid-up shares capital with the Ministry of Commerce.

After the last conversion, there are remaining 550,603 units expired and 550,603 common shares of reserved shares will be cancelled later.

20. 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.

21. 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, 2010, the Company has purchased back 20,182,600 ordinary shares (par value of Baht 1 each), or 8.97 percent of total number of shares in issue, a total of Baht 39.58 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, 2010, the Company has already appropriated the full required amount of retained earnings to a reserve for the treasury shares.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

22. DIVIDEND PAYMENT

The Company

At the ordinary shareholders' meeting for the year 2010 held on March 30, 2010, the shareholders unanimously approved to pay cash dividend from operating results of 2009 for the shareholders in the registered book as at March 11, 2010 in the amount of Baht 26.47 million, appropriated by 203,641,347 shares of Baht 0.13 each.

At the ordinary shareholders' meeting for the year 2009 held on April 1, 2009, the shareholders unanimously approved to pay cash dividend from operating results of 2008 for the shareholders in the registered book as at March 13, 2009 in the amount of Baht 27.62 million, appropriated by 197,306,578 shares of Baht 0.14 each.

Subsidiary companies

At the extraordinary shareholders' meeting No. 1/2009 held on October 19, 2009 of Eason Watson Coating Ltd., the shareholders unanimously approved to pay dividend from retained earnings unappropriated and the operating results of the year 2009 in the amount of Baht 3.3 million, appropriated by 10,000 shares of Baht 330.00 each.

At the extraordinary shareholders' meeting No. 1/2009 held on July 1, 2009 of NOF (Thailand) Ltd., the shareholders unanimously approved to pay dividend from the operating results in the amount of Baht 15 million, appropriated by 20,000 shares of Baht 750.00 each.

And at the ordinary shareholders' meeting No. 1/2009 held on February 19, 2009, the shareholders unanimously approved to pay dividend from the operating results of the year 2008 in the amount of Baht 18 million, appropriated by 20,000 shares of Baht 900.00 each.

23. 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 years.

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 21 to the financial statements.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

	Consolidated		Separate statements	
	statements of income		of income	
	2010	2009	2010	2009
Net profit for the year (Baht)				
Net profit attributable to equity holders of the parent	46,013,282.55	53,289,884.28	46,438,594.76	56,844,630.18
Weighted average number of ordinary shares (shares)	204,162,858	201,913,087	204,162,858	201,913,087
Number of share under warrant (shares)	82,187,125	88,679,253	82,187,125	88,679,253
Number of share that would have been issue at fair value (shares)	(45,914,595)	(54,740,280)	(45,914,595)	(54,740,280)
Ordinary shares plus effect of assumed conversion (shares)	240,435,388	235,852,060	240,435,388	235,852,060
Basic earnings per share (Baht per share)				
Net profit attributable to equity holders of the parent	0.2254	0.2639	0.2275	0.2815
Diluted earnings per share (Baht per share)				
Net profit attributable to equity holders of the parent	0.1914	0.2259	0.1931	0.2410

24. 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 K Master Pooled Registered Provident Fund.

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 years ended December 31, 2010 and 2009 amounted to Baht 2.10 million and Baht 1.42 million, respectively.

The Company's contributions for the years ended December 31, 2010 and 2009 amounted to Baht 1.83 million and Baht 1.34 million, respectively.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

25. EXPENSES BY NATURE

Expenses by nature has significant transactions as following :-

	Baht			
	Consolidated statements of income		Separate statements of income	
	2010	2009	2010	2009
Raw material and consumable used	471,922,011.51	398,944,777.88	469,902,476.71	398,944,777.88
Change in inventories of finished goods and work in process	(50,792.67)	54,326,458.15	(538,992.81)	26,909,069.65
Employee benefit cost	99,774,786.63	83,934,626.21	84,324,929.88	71,880,408.39
Depreciation and amortization	35,926,416.66	32,909,130.60	29,109,903.05	29,211,375.33
Loss on impairment of investment in subsidiary	-	-	2,692,097.60	-

26. COMMITMENTS AND CONTINGENT LIABILITIES

26.1 Commitments of long-term rental and services agreements

As at December 31, 2010, 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:

	<u>Million Baht</u>
Payable within :	
1 year	5.21
2 - 3 years	2.32

26.2 Commitments under the technical assistance agreements

As at December 31, 2010, the Company has 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.

26.3 Commitments of capital expenses

As at December 31, 2010, a local subsidiary has commitment for purchase assets in the amount of Baht 0.26 million.

26.4 Guarantees

As at December 31, 2010, 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 and Baht 0.59 million for refund VAT with Revenue Department.

And the Company has outstanding of Letters of credit in the amount of USD 234,000.00 for import goods from overseas.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

27. FINANCIAL INSTRUMENTS

27.1 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 3.

27.2 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.

27.3 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.

27.4 Foreign currency risk

Foreign currency risk on their investments in overseas subsidiary, the Company are currently not hedged by derivative financial instruments.

27.5 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 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.

28. INCOME TAX

Corporate income tax is calculated from net income for the periods 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.

**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
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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.

**29. FINANCIAL INFORMATION BY SEGMENT**

The Company and its subsidiaries' business operations involve 3 principal segments : (1) automotive paints (2) other industrial paints and (3) the other segments. The business operations are mainly carried on in the same geographic area in Thailand.

Business activities are classified by product segments for the years ended December 31, 2010 and 2009 are as follows: -

	Thousand Baht							
	Consolidated financial statements							
	Automotive		Other industrial paints		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Sales and services	482,363	442,300	193,283	169,608	24,333	14,480	699,979	626,388
Cost of sales and expenses	(418,832)	(410,662)	(211,810)	(162,509)	(36,336)	(28,276)	(666,978)	(601,447)
Profit (loss) from operating	63,531	31,638	(18,527)	7,099	(12,003)	(13,796)	33,001	24,941
Sales customer lists and marketing datas	-	49,651					-	49,651
Other income							7,081	9,087
Share of net profit in associated company							16,037	6,873
Financial cost							(3,484)	(3,616)
Income tax							(15,688)	(21,566)
Net profit							<u>36,947</u>	<u>65,370</u>
<u>As at December 31,</u>								
Property, plant and equipment	66,264	12,847	11,155	11,083	19,444	19,363	96,863	43,293
Common property, plant and equipment							185,760	233,262
Intangible asset, net							7,576	8,556
Leasehold right, net							19,631	22,768



**EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

30. RECLASSIFICATION

Certain amounts in the financial statements for the year ended December 31, 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follow:

	Baht			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<u>Balance sheet</u>				
Assets for leases, net	-	15,782,947.71	-	-
Property, plant and equipment, net	276,554,814.28	260,771,866.57	-	-
Land not used in operation	-	5,671,668.15	-	5,671,668.15
Other non - current assets	8,213,581.51	2,541,913.36	5,763,868.15	92,200.00
<u>Statement of income</u>				
Sales and services	626,388,884.46	609,013,288.64	572,280,403.25	554,904,807.43
Other income	9,086,624.22	26,462,220.04	5,806,273.90	23,181,869.72
<u>Statement of cash flows</u>				
Cash flows from operating activities	204,276,833.08	208,344,476.83	-	-
Cash flows from investing activities	(76,313,980.10)	(80,381,623.85)	-	-

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's director on February 22, 2011.



The logo for Eason Paint, featuring the word "EASON" in a bold, white, sans-serif font. The letters are set against a dark blue rectangular background that has a slight 3D effect, appearing to float above a lighter blue shadow.

บริษัท อีซัน เพ้นท์ จำกัด (มหาชน)

EASON PAINT PUBLIC COMPANY LIMITED

7/1-2 หมู่ 1 ตำบลพานทอง

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