

The logo for Eason Paint Public Company Limited features the word "EASON" in a bold, white, sans-serif font. The letters are set against a dark blue background that has a subtle, repeating pattern of the word "EASON" in a lighter shade. The letters are slightly offset to the right, creating a shadow effect.

EASON PAINT PUBLIC COMPANY LIMITED



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Mr. Sanan Eksangkul
Chairman of Board of Directors

Message from Chairman

“We would achieve the significant growth based on an intention of being the best industrial paints manufacturer in this region”

In the year of 2013 there has been a light at the end of the tunnel for the Thais and the country on moving forwardly after the period of stalemate. Despite the differences in point of view, the constructive way of argument in accordance with democracy should be respected as we are all Thais, I myself personally wish for the very best for our nation.

It is very exciting about an upcoming of the AEC (Asean Economic Community), as we are gearing towards many challenges and changes for instance; economy, industry, culture, arts. Since Thailand has a competitive edge in term of location which is considered as centre of the region, so there are many opportunities awaiting that we should prepare ourselves actively.

Eason Paint has realised about aforementioned opportunities as we have already established our business in Vietnam additionally, there is a solid plan of investment in Indonesia in 2013. The company has prepared the team with all essentials and equipped itself technologically in order to be a reliable supply chain in Asean, with the expectation that we would achieve the significant growth in two years time based on an intention of being the best industrial paints manufacturer in this region.

As the performance of 2012 was better than our expectation due to the expansion of automotive sector, please allow me to express the sincere gratitude to the continuous support from the shareholders and all stakeholders, the gratefulness for the fruitful comments and ideas from the directors, the appreciation to the dedication of the management team and all staffs. I do looking forward to the sustainability in growth in 2013 and over the years to come.

Report of Audit Committee

The Audit Committee consists of four independent directors knowledgeable about finance and organization management, namely Mrs. Pismai Boonyakiat as Chairman, Mr. Vitien Nildum, Mr. Jane Wong-isariyakul and Ms. Thipawan Uthaisang as members, on duties as assigned by the Board, in compliance with the regulations of the Stock Exchange of Thailand (SET). The Committee held one meeting with the Management, the external auditor and the Corporate Audit, as summarized below ;



Mrs. Pismai Boonyakiat
Chairman of Audit Committee

- *Review of quarterly, annual, and consolidated financial statement* This review was made along with the management and the Office of Corporate Audit each time quarterly financial statements and annual financial statements were deliberated, with the external auditor in attendance, to ensure that the prepared financial statements complied with legal and accounting standard requirements under generally accepted accounting principles, that adequate and timely information was disclosed in the financial statements for the benefit of shareholders. This year the Committee and the external auditor held one non management meeting to acknowledge accounting approaches and audit plans. The Audit Committee proposed the appointment of Dharmniti Auditing Co., Ltd. as the external auditor for the company for year 2013 to the Board, which would in turn submit it for shareholder's approval at 2013 AGM
- *Review of risk management* To ensure acceptable risk management practices, the Committee directed group of companies by constantly reviewing the risk management plans of 2012 to ensure the company against its risk profile efficiently by using suitable best practice.
- *Review of internal audit assessment* Together with the external auditor and the Corporate Audit, the Committee revised and reviewed the internal control system with a focus on resource utilization, due care of properties, and prevention or minimization of defects, losses and frauds. The external auditor agreed that no significant findings or shortcomings were encountered.
- *Review of connected transactions* The Audit Committee reviewed connected transactions with the company and group of companies to ensure that these were conducted under normal business conditions with complete and adequate information disclosure.
- *Oversight of internal audit* The Audit Committee reviewed the annual audit plan, as well as their compliance. The audit findings were reviewed and recommendations given to follow up the corrective actions of those items considered significant to bring about good corporate governance and sufficient internal control. The Audit Committee also reviewed the annual budget to ensure that it was successfully conducted against goals.

EASON PAINT

PUBLIC COMPANY LIMITED



EASON continues to develop and improve its customer service for both production and delivery with emphasis on punctuality as agreed with the customers. Also seeking new technology to develop new products with high quality control for all production lines with its policy of "Consistent quality, Punctuality and Ongoing development"

Responsible Care (RC) is being committed and treated as an integral part of the strategic sustainability business plan of the company as a result, both internal and external affairs cover on an environment awareness, safety concern from the starting of the operational system, logistic process throughout the supply chain moreover, communication with the community in order to enhance their confidence towards company



■ Fully Technical Support Services

■ Flexible batch sizes

■ Customized design for special use



MOTORCYCLE PAINTS



- 2K (Poly Urethane) paint for Base Coat & Top Coat
- Acrylic – Melamine paint for Base Coat & Top Coat
- Acrylic Air Dry Paint for Primer & Base Coat
- Chlorinated Polyolefin for Primer on Engineering Plastic



OFFSET INKS

- Metal Decorating Inks for 2-Piece Cans
- Metal Decorating Inks for 3-Piece Cans
- UV Metal Decorating Ink



PACKAGING COATINGS

- Crowns & Closures
- 3 PCS – Food cans
- 3 PCS – General line cans
- 2 PCS cans
- Tubes

Board of Directors





1. Mr. Sanan Eksangkul
Chairman of 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. Vitiem Nildum
Independent Director / Audit Committee
8. Mr. Jane Wong-isariyakul
Independent Director / Audit Committee
9. Ms. Thipawan Uthaisang
Independent Director / Audit Committee

Management Team



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

8. Mr. Piti Eksangkul
Assistant Deputy Managing Director

9. Mrs. Wilaivan Mitrapanon
Supply Chain Manager

10. Ms. Siriporn Choochird
Product Manager

11. Ms. Phanphimon Boonyapinyo
Financial Manager

12. Mr. Chayuth Sereerak
Accounting Manager



1 CAER
Community Awareness & Emergency Responsible

2 Process Safety

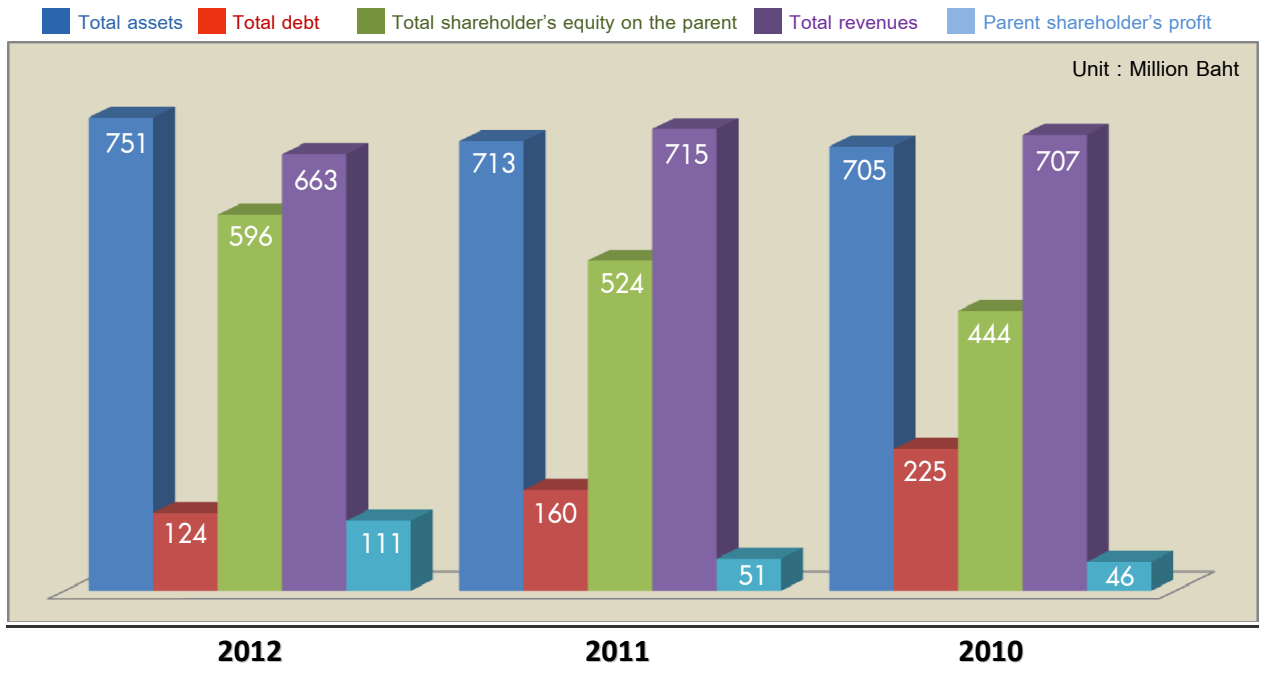
3 Employee Health & Safety

4 Pollution Prevention

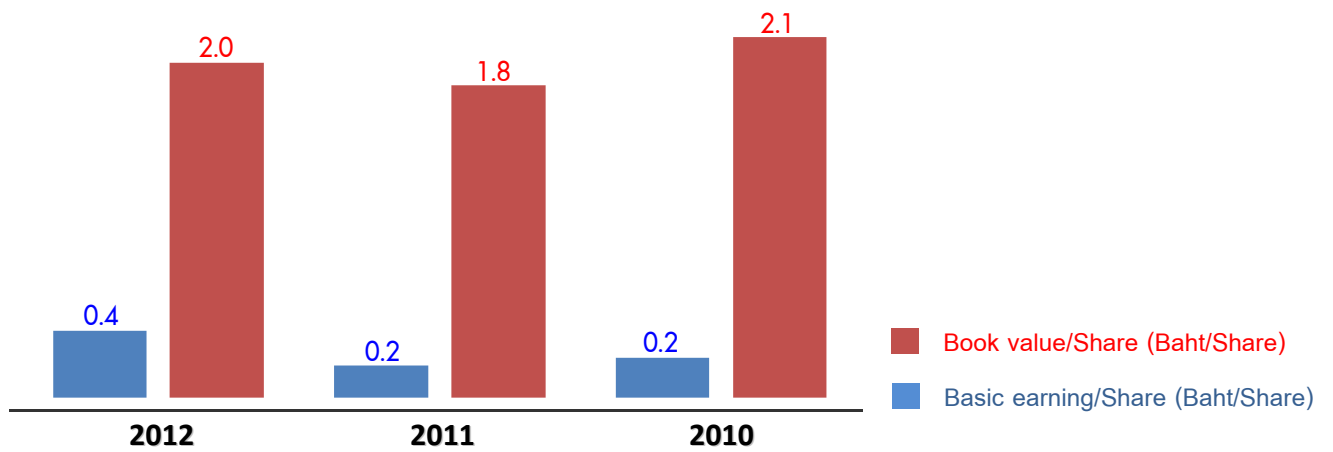
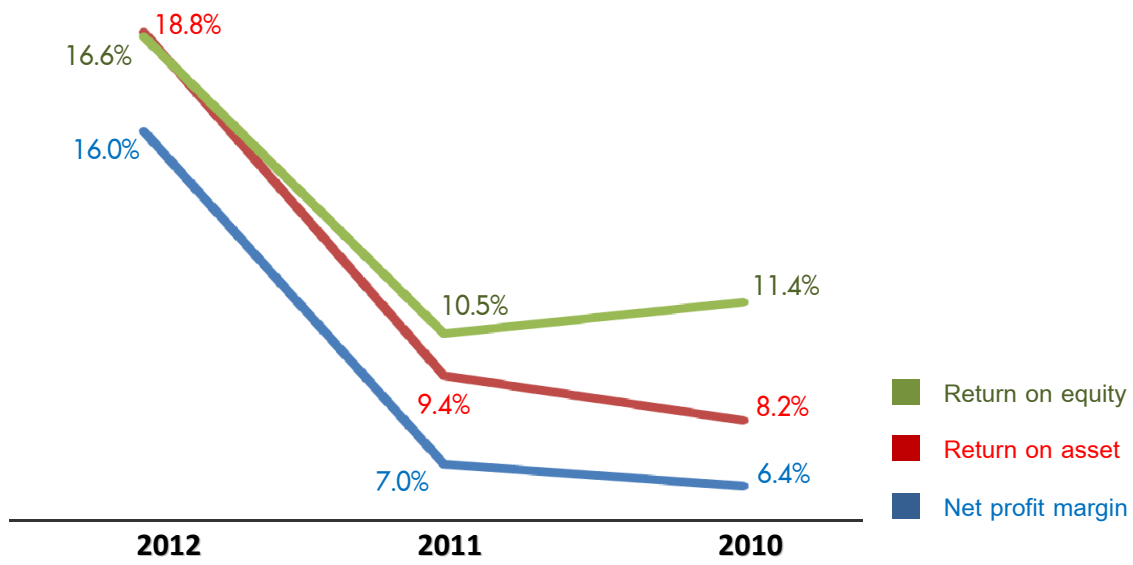
5 Distribution

6 Product Stewardship





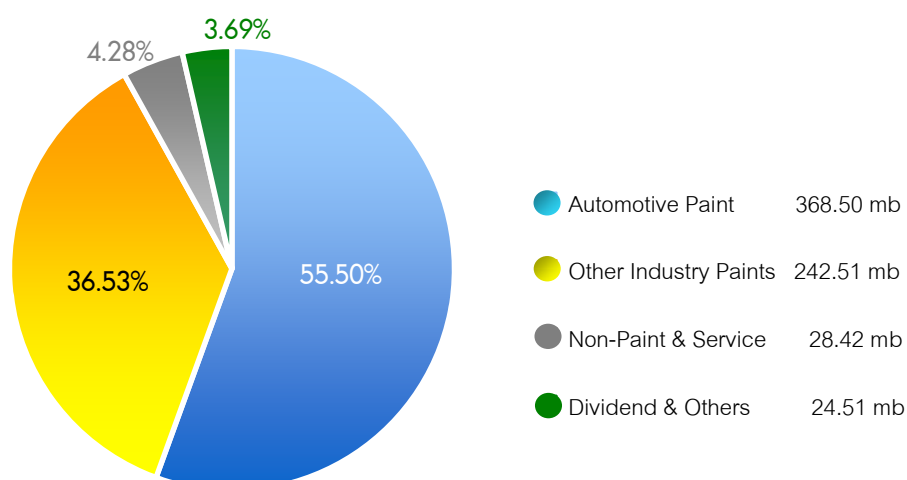
Remark: Total revenue not include share of profit of associated company



Executive Summary

Even though the economy and many sectors were damaged severely by flood in the last quarter of 2011, there has been a significant recovery especially in the automotive sector in the first half of the year 2012 where Thailand is one of the biggest suppliers in the market in addition with the more purchasing power and demand from the consumer.

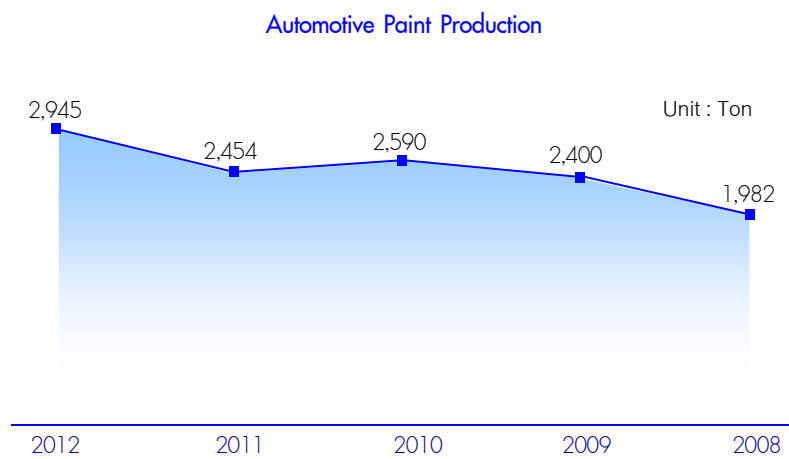
While in the food and beverage industry has recorded a steady growth recently as a result of the higher demand in consumption since, it's an essential fundamental for human being. According to the United Nation, ASEAN has a population of around 600 million accounts for 8% of the world population with an average growth rate of 1.2% annually.



In 2012 the company recorded a consolidated income of 663.94 million baht, and the operating result of the Company and its subsidiaries as the profit attributable to shareholders of the parent was 111.11 million baht, which was increased in amount of 60.09 million baht (or 117.77%) comparing to previous year, as the given figures are the consequences of the recovery in related industries from flood, additionally more profit from the subsidiary in Vietnam and the associated company.

In March 2012, the Company had decreased its paid-up capital from 306,076,629 baht to 285,894,029 baht by writing off 20,182,600 shares having a per value of 1.00 baht each amounting to 20,182,600 baht and registered such decrease of the paid-up capital with the Department of Business Development, Ministry of Commerce, on March 5, 2012.

Not only Eason had increased its investment in Eason Urai Paint Co. Ltd. (“EUP”), a subsidiary in Vietnam, in order to expanding EUP’s production capacity which increased the registered capital of EUP from USD 4 million to 4.5 million. Since, the Company is holding 62% in EUP, of which in equivalent to the amount of USD 310,000 in accordance to aforementioned proportion, but also in November, 2012 passed the resolution to approve an establishment of the subsidiary company in Indonesia for expansion its the production base and the market of the company in the future. The total of the company’s investment is not over USD 3 Millions where Eason is going to hold no less than 60% of share in that company, currently this project is under the process of setting up and negotiation with partner.

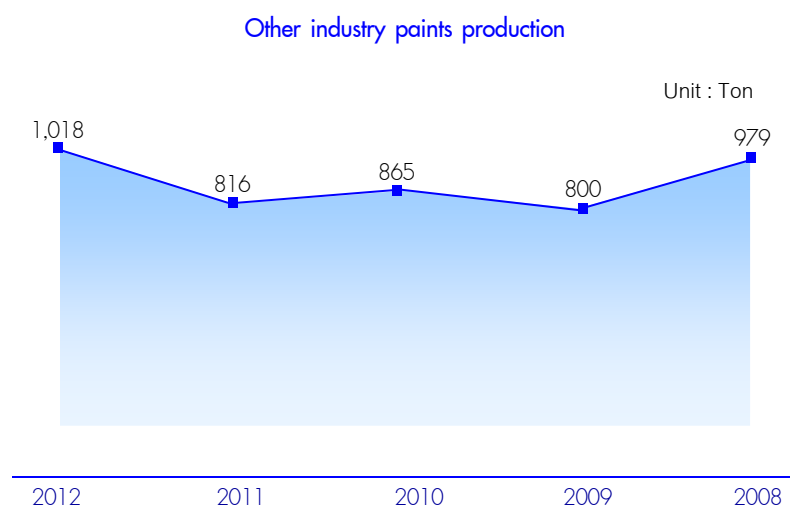


Automotive Paints

The total motorcycle production in Thailand in 2012 was increased by 6% from the former year (Source : Automotive Club, The Federation of Thai Industries). Eason is the toll manufacturer of motorcycle for BASF where the products are beneficial to customers as the substituted source to imports, as the above chart shows a growth of 22% in production volume comparing 2012 with 2011. The company has developed efficiently technology of production together with quick response to production lines at customer’s site for beyond satisfaction.

Eason Urai Paints company limited (“EUP”), the subsidiary in Vietnam serves as the toll manufacturer of motorcycle paints for BASF Vietnam Ltd. together with the partner we have developed various colours to satisfy customers, in addition an increasing of production capacity to 1,000 tons per year is scheduled to be finished by middle of 2013 to cope up with the growing demand of motorcycle coating in Vietnam.

The strong recovery of many industries from the flood together with the promotional campaign of the government especially for automotive sector reflected directly to the business of Origin Eason Paint Co. Ltd. (“OEP”), which is the joint venture entity, who produce plastic coatings for automobile, car accessories, and electronic appliances, have 70% net profit increased. However, a lower consumption domestically is expected in 2013, the export market still being viewed positively.



Offset Inks for Metal Packaging

As a sole manufacturer of UV inks for 3-piece can in Thailand and Southeast Asia under the technology from INX international ink Co, USA which has been well-recognised by the market throughout many countries around the globe. An operating result of 2012 shows the significant growth since many customers have changed from the conventional line to the UV line as the consequences of knowledge sharing to customers regarding the benefits and applications of UV ink technology therefore, well acceptance of our products. Followings are some developed issues:

- The adaptation of UV inks to be synchronised with the various environment especially for the foreign market resulted in 80% growth in exports.
- Development of UV inks to serve each customer's need.

The localisation of ink for 2-piece can (INX technology) for special colours as substituted for imports has enabled the company to responds to customers effectively, so 30% growth is being expected in 2013 as the market expansion to Vietnam, Malaysia, Singapore, Indonesia, and the Philippines.

Packaging Coatings

In 2012 Eason has achieved the target of 25% growth in this category particularly the export market resulted from the continuous development of products and their applications in order to serve customer with more efficient environmental friendly products. While the more advanced technology and equipments have been brought in as the need of more active responds and troubles shooting with target of expand our coatings to this region such as Vietnam, Singapore, Indonesia, and the Philippines as well as to Australia.

Other Business

Beside paints business, there is a subsidiary entity which is engaging in the water and air purifiers named Bright Blue Water Corporation Co., Ltd. ("BBW"), with opportunity of higher health and safety concerns in the society on drinking water. Despite the dissatisfy performance recently, the significant improvement is expected in 2013 as the company has gained reputation of service quality in the market.

Responsible Care

The company has focused on environmental, safety and social responsibility. After the company has been certified in ISO 14001 in 2011, the company has participated in programs of CSR-DIW for beginner with Department of Industrial Work. The company plans to enhance its success with entering to program of Flagship project which will be self improvement for ISO 26000 in future.

The company is being committed and treated as an integral part of the strategic sustainability business plan for as a result, both internal and external affairs cover on an environment awareness, safety concern from the starting of the operational system, logistic process throughout the chain of supply also communication with the community in order to enhance its confidence towards company.

Shareholding and Management Structure

As of December 31, 2012, the Company has registered capital at the value of 286,817,400 baht; dividend into ordinary shares amount 286,817,400 shares at par value of 1 baht; paid-up capital as the amount of 285,894,029 baht by ordinary shares and paid-up capital as amount of 285,894,029 shares, and the reserved share remained amount 923,371 shares from exercising of ESOP and Right Offering warrants.

In March 2012, the Board of Directors meeting No.1/2012 held on February 27, 2012 has resolved to decrease paid-up capital by writing off the repurchased shares at the amount of 20,182,600 shares, and the company had already registered to decrease the paid-up capital from 306,076,629 baht to 285,894,029 baht presently

Top Ten major shareholders as of December 31, 2012

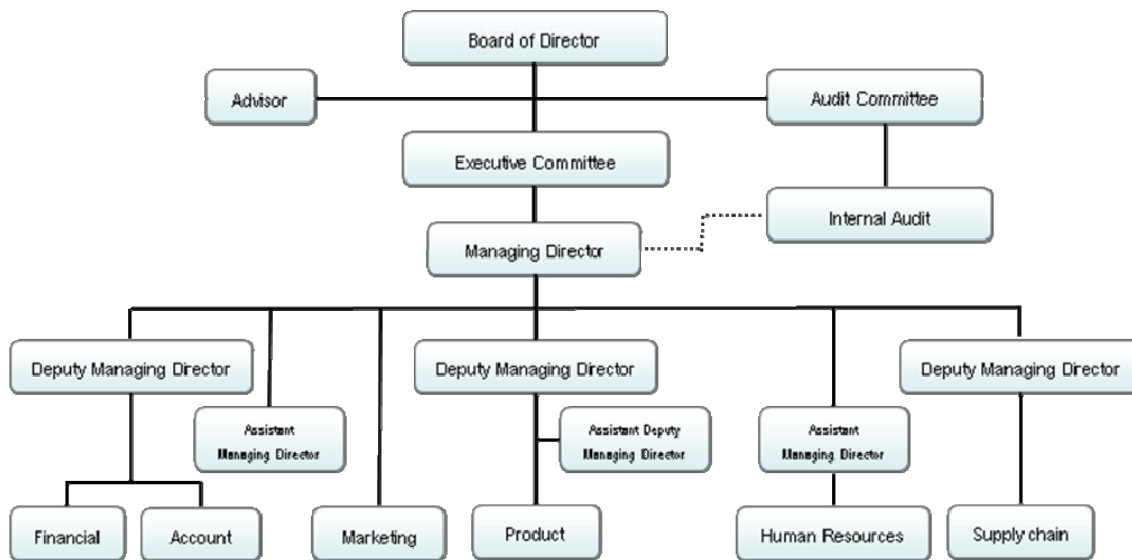
Item	Shareholder's name	The number of shares	Percentage
1	Eksang Holding Co., Ltd. and Eksangkul Group	152,299,479	53.27
2	Dej-amornthan Group	14,313,100	5.00
3	Miki & Co. Ltd. (Japan)	6,000,000	2.09
4	Mr. Somchart Sothimai	5,748,800	2.01
5	Maybank Kim Eng Securities PTE. Ltd.	5,202,200	1.81
6	Prugsananond Group	4,666,900	1.63
7	Luengwattanakij Group	4,620,000	1.61
8	Anantawachkorn Group	4,400,000	1.53
9	Lohprakrong Group	3,760,000	1.31
10	Ms. Chanya Mangkhalakeeri	3,484,200	1.21

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, 2012



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

Company’s Directors group

The Company has 4 directorate groups; Board of Directors, Executive Committee, Audit Committee and Nomination and Remuneration Committee. Names of directors of each group, including scope of duties and authorization are as follows:

- **Board of Directors** As of December 31, 2012, 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' information as of December 31, 2012

Name/Position	Age (year)	Education	Shareholding Ordinary shares	Experience		
				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>	58	<ul style="list-style-type: none"> • Mini MBA Thammasat University • Bachelor of Arts (Literature) Fujen University, Taiwan • Certificate of Director Accreditation Program 31st 	10,000	2007-Present	Chairman	Eason Urai Paint Co., Ltd.
				2009- Present	Chairman	Bright Blue Water Corp.
				2002-2005	Advisor to Chairman	The House of Representatives
2. Ms. Petcharat Eksangkul <i>Director</i> <i>Executive Committee</i> <i>Managing Director</i>	56	<ul style="list-style-type: none"> • XMBA Thammasat University • Bachelor of Science Chulalongkorn University • Certificate of Director Accreditation Program 31st • Certificate of Director Certificate Program 154th • National Defense College (NDC) Program 49th 	5,744,000	2007- Present	Director	Eason Urai Paint Co., Ltd.
				1996- Present	Director	N.O.F.(Thailand) Co., Ltd.
				2004- Present	Director	Eksang Holding Co., Ltd.
				2008- Present	Honorable Chairman	Chemical Industry Club The Federation of Thai Industries
				2008- Present	President	Thai Paint Manufacturer Association
				2006- Present	Academic Advisor	Faculty of Science, Chulalongkorn University
3. Mr. Sanit Eksangkul <i>Director</i> <i>Executive Committee</i> <i>Deputy Managing Director</i>	55	<ul style="list-style-type: none"> • Mini MBA Kasetsart University • BA, Ramkhamhaeng University • Certificate of Director Accreditation Program 31st 	1,670,000	2009- Present	Managing Director	Bright Blue Water Corp.
				2007- Present	Managing Director	Eason Urai Paint Co., Ltd.
				2008- Present	Director	Origin Eason Paint Co., Ltd.
				2004- Present	Director	Eksang Holding Co., Ltd.

Name/Position	Age (year)	Education	Shareholding Ordinary shares	Experience					
				Period	Position	Company			
4. Mr. Wichai Eksangkul <i>Director</i> <i>Executive Committee</i> <i>Deputy Managing Director</i>	50	<ul style="list-style-type: none"> • Master of Science Kasetsart University • Bachelor of Science Kasetsart University • Certificate of Director Accreditation Program 31^s 	5,620,000	2009- Present	Director	Bright Blue Water Corp.			
				1996- Present	Director	N.O.F.(Thailand) Co., Ltd.			
				2004- Present	Director	Eksang Holding Co., Ltd.			
				Spouse's share holding			54,678		
5. Ms. Sirinun Eksangkul <i>Director</i> <i>Executive Committee</i> <i>Assistant Managing Director</i>	49	<ul style="list-style-type: none"> • Mini MBA Kasetsart University • BA, Ramkhamhaeng University • Certificate of Director Accreditation Program 31st 	5,395,000	1996- Present	Director	N.O.F.(Thailand) Co., Ltd.			
				2004- Present	Director	Eksang Holding Co., Ltd.			
6. Mrs. Pismai Boonyakiat <i>Independent Director</i> <i>Chairman of Audit Committee</i> <i>Chairman of the Nomination and Remuneration Committee</i>	68	<ul style="list-style-type: none"> • Master of Commerce Thammasat University • Bachelor of Accountancy Chulalongkorn University • Certificate of Director Accreditation Program 34th • Certificate of Director Certification Program 58th 	-	2005 - Present	Chairman of Audit Committee	D-Con Public Company Limited			
				2000- Present	Associated Judiciary for Juvenile and Family	Nonthaburee Court			
				2000- Present	Chairman	New Wave Institute and Consultant			
				1999-2000	Director of Internal audit office	Bio File Co., Ltd.			

Name/Position	Age (year)	Education	Shareholding Ordinary shares	Experience		
				Period	Position	Company
7. Mr. Vitien Nildum <i>Independent Director</i> <i>Audit Committee</i> <i>Director of the Nomination and Remuneration Committee</i>	71	• Mini MBA Thammasat University	200,000	2009- Present	Director	The Council of Science and Technology professional
		• Bachelor of Science Chulalongkorn University		2010- Present	Advisor	The Council of Scientist and Technology of Thailand
		• Certificate of Chemical Practice • Certificate of Director Accreditation Program 32 th		2010- Present	Advisor	The Thai Packaging Association
8. Mr. Jane Wong-isariyakul <i>Independent Director</i> <i>Audit Committee</i> <i>Director of the Nomination and Remuneration Committee</i>	60	• XMBA Thammasat University	-	1983- Present	Chairman of the Board of Director/ Managing Director	Winner Group Enterprise Co., Ltd
		• Bachelor of Science Chulalongkorn University		2010- Present	Chairman	CU Science Alumni Association
		• Certificate of Director Accreditation Program 31 st		2008- Present	Director	Jamjuree Innovation Products Co., Ltd.
9. Ms. Thipawan Uthaisang <i>Independent Director</i> <i>Audit Committee</i> <i>Director of the Nomination and Remuneration Committee</i>	55	• XMBA Thammasat University	70,000	2012- Present	Chairman Executive Committee	P.A.E. (Thailand) Public Company Limited
		• Bachelor of Accountancy Thammasat University		2009- Present	Audit Committee	Ladprao General Hospital
		• Certificate of Director Certification Program 29 th		2009- Present	Audit Committee	Pailin Booknet PCL.
		• The College of Politics and Governance, The King Prajadhipok's Institute 9 th		2001- Present	Managing Director	Papermate (Thailand) Co., Ltd.
		• Capital Market Academy 8 th • National Defense College (NDC) Program 53 rd		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.

Selection of Board of Directors and Committee of Independent Director

The Nomination and Remuneration Committee will responsible for 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
- **Executive Committee** As of December 31, 2012, the Executive Committee of the Company consisted of 5 persons as follows:

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

Scope of duties and authorization of Executive Committee

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

1. To operate and manage the Company's business in accordance with Company's objectives, regulation, policies, standards, requirements, instruction and the resolution of the Board of Directors meeting and/or the shareholders' meeting in every other way.
2. To formulate and to execute policies, direction and strategy of the Company, budget planning, human resources management, investment in information technology, business expansion, public relation, including to control and to oversee that the working teams/committee accomplish the goal as assigned.

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

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

- **Independent Director/Audit Committee** As of December 31, 2012, 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 Committee / Independent Director
3	Mr. Jane Wongissariyakul	Audit Committee / Independent Director
4	Miss Thipawan Uthaisang	Audit Committee / Independent Director

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 and responsibilities 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 2013, and the Board of Directors will consider appointing the Audit Committee afterward.

Scope of duties and authorization of 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 external auditors and executives who are directly responsible to prepare quarterly and annual financial statement. During audit period, Audit directors may suggest external auditors to check/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 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 Director/Audit Committee

1. Having a stake in the Company, subsidiaries, joint-venture companies, or other related companies not exceeding 1% 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 / 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 affect 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.
- **The Nomination and Remuneration Committee** The Board of Directors No.1/2013 dated on February 22, 2013 has approved the appointment of the Nomination and Remuneration Committee, members are as follows;

No.	Name	Position
1	Mrs. Pismai Boonyakiat	Chairman of the Nomination and Remuneration Committee
2	Mr. Vitien Nildum	The Nomination and Remuneration Committee
3	Mr. Jane Wongissariyakul	The Nomination and Remuneration Committee
4	Miss Thipawan Uthaisang	The Nomination and Remuneration Committee

Scope of duties of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is appointed by the Board of Director with 3 years each term. The scope of duties and responsibilities of the Nomination and Remuneration Committee is assigned by Board of Directors. The Nomination and Remuneration Committee is responsible to perform the following work and to report to Board of Directors.

1. Setting guidelines and policies in nominating Board of Directors by considering what would be the appropriate structure and composition of members, and outlining necessary directors' qualifications, and proposing these ideas for approval by the Board of Directors and/or Shareholders Meeting as appropriate.
2. Setting guidelines and policies in determining the Board of Directors and other committees' remuneration, and proposing it to the Board of Directors and/or Shareholders Meeting for approval as appropriate.

3. Searching, selecting and proposing appropriate persons to assume the position of the Company's directors whose terms have expired or became vacant, including newly appointed director.
4. Determining necessary and appropriate monetary and non-monetary remuneration of the Board of Directors each year, by taking into consideration each director's duties and responsibilities, performance, and comparisons against similar businesses, and the benefits expected in return from each director. The report will be submitted to the Board of Directors for consent and to the Shareholders' Meeting for approval.
5. To ensure the meeting of Nomination and Remuneration Committee once a year minimally
6. Report work progress and findings to Board of Directors once a year minimally.

Qualification of The Nomination and Remuneration Committee

1. Having a stake in the Company, subsidiaries, joint-venture companies, or other related companies not exceeding 1% of the paid-up shares, whereas including shares hold by other related persons
2. The Chairman of the Nomination and Remuneration Committee must be independent director for independence in performance truly
3. Not participating in management of the Company, subsidiaries, joint-venture companies, or other related companies and not being one of the majorities of the Company's shareholders, or the director who is a member of management should be minimal part of the Committee, and the Chairman of the Board of Directors must not be a member of the Nomination and Remuneration Committee.
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 the Committee. Upon Board of Director's consideration, the above circumstance does not affect the ability to perform the duties of the Nomination and Remuneration Committee.
6. Be able to perform duties, to express opinion, or to report work progress or findings as assigned by the Board of Directors whereas not being under the influence of the Company's executives or the majority of shareholders, including any persons related to or being the next of kin to those aforementioned executives or shareholders.

- **Management Team** As of December 31, 2012 Management Team consisted of 12 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	Mr. Piti Eksangkul	Assistant Deputy Managing Director
9	Ms. Siriporn Choochird	Product Manager
10	Mrs. Wilaivan Mitrapanon	Supply Chain Manager
11	Mr. Chayuth Sereerak	Accounting Manager
12	Ms. Phanphimon Boonyapinyo	Financial Manager

Scope of duties and authorization of Managing Director

Managing Director has duties, authorization, and responsibility to manage the regular business operation of 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 or has to follow regulation, requirements or instruction of Board of Directors and to follow the Company's requirement
5. Follow-up business operation in order to evaluate Company's performance on regular basis so that a proper action will be taken to prevent or minimize risks associated with external and internal factors.
6. To get involved 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. To authorize, issue regulation, announcement, memorandum to assure that the Company's policy are followed, to safeguard 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 or ceiling of approvable fund.

Remuneration of directors and executives

Total remuneration of the Company's Directors

Unit : Baht

Directors	2012	2011	2010
Meeting allowance	430,000	335,000	365,000
Bonus	920,000	920,000	920,000
Total	1,350,000	1,255,000	1,285,000

Remunerations to Directors as of 2012

Unit : Baht

No.	Name	Position	Amount
1	Mr. Sanan Eksangkul	Chairman of Executive Committees	170,000
2	Ms. Petcharat Eksangkul	Director	125,000
3	Mr. Sanit Eksangkul	Director	125,000
4	Mr. Wichai Eksangkul	Director	125,000
5	Ms. Sirinun Eksangkul	Director	125,000
6	Mrs.Pismai Boonyakiat	Chairman of Audit Committee/ Independent Director	185,000
7	Mr.Vitien Nildum	Audit Director/ Independent Director	165,000
8	Mr.Jane Wong-issariyakul	Audit Director/ Independent Director	165,000
9	Ms.Thipawan Uthaisang	Audit Director/ Independent Director	165,000

Remark According to the Annual General Meeting 2012 dated on April 3, 2012, the resolution of the meeting on the issue of remuneration of Company's directors in 2012 would total up no greater than 2.2 million baht.

Remuneration for Company's Executives

Unit : Baht

Remuneration	2012	2011	2010
Salary, Bonus and Provident Fund	28,186,033	26,795,081	25,315,891

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 Committees* 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	
	2012	2011	2012	2011
Mr. Sanan Eksangkul	5/5	4/4	-	-
Ms. Petcharat Eksangkul	5/5	4/4	-	-
Mr. Sanit Eksangkul	5/5	4/4	-	-
Mr. Wichai Eksangkul	5/5	4/4	-	-
Ms. Sirinun Eksangkul	5/5	4/4	-	-
Mrs. Pismai Boonyakiat	5/5	4/4	4/4	4/4
Mr. Vitien Nildum	5/5	3/4	4/4	3/4
Mr. Jane Wongissariyakul	5/5	3/4	4/4	3/4
Ms. Thipawan Uthaisang	5/5	3/4	4/4	3/4

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

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. Nathapol Eksangkul directly at Tel. 02-941-6931 or access to 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, ISO/TS 16949, ISO 140001 and 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 training such Leadership, Team building and working together, Coaching Tips, Internal communication, Negotiation tips, as well as course for improvement foreign language skill etc.
- Knowledge Management in Organization with variant activities, such as a library, a green magazine for knowledge sharing 3 issues per year, also Best Practice and Best Team Performance, the activity for continual improving, and 5s activity etc.

Safety, Occupational Health and Environment

The company has focused on environmental, safety and social responsibility. After the company has been certified in ISO 14001 in 2011, the company has participated in programs of CSR-DIW for beginner with Department of Industrial Work. The company plans to enhance its success with entering to program of Flagship project which will be self improvement for ISO 26000 in future.

The company is being committed and treated as an integral part of the strategic sustainability business plan for as a result, both internal and external affairs cover on an environment awareness, safety concern from the starting of the operational system, logistic process throughout the chain of supply also communication with the community in order to enhance its confidence towards company.

Community and Environment

“Corporate Social Responsibility” (CSR) is being committed and treated as an integral part of the strategic sustainability business plan for as a result, both internal and external affairs cover on an environment awareness, safety concern from the starting of the operational system, logistic process throughout the chain of supply also communication with the community in order to enhance its confidence towards company. Moreover, it is being realised that the contribution for the society is one part of our commitment especially an education support for both students in the neighbourhood and distanced by activities as follows;

- An education support for both students in Panthong, Chonburi and distance on National Children’s Day 2012



- Offering dedicated to Buddhist monk and arranged Dhamma Talk on “Be good on Buddhist Lent Day” by abbot of Kock Khi-nonh, Chonburi on occasion of Buddhist Lent Day 2013



- The company, in cooperation with Thai Red Cross, has arranged blood donation activity on Mother's Day 2012



- Attended sport day for Drug resistance 2012 at Office of Labour Protection and Welfare, Chonburi



- Practiced on emergency situation for setting up the best practice on safety works and emergency plan every month, and in cooperation with both government and private sectors in company's area dated November 9, 2012



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, Phaholyothin Road Chankasem, Chatuchak, Bangkok 10900 Telephone 0-2941-6931 Fax 0-2941-2930
Company's registration number:	0107548000111
Website :	www.easonpaint.co.th

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:	512 Ratchadaphisek Road Samsennok, Huaykwang Bangkok 10310 Telephone 0-2541-4999 Fax 0-2541-4999

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

Business :	Distributing motorcycle coatings (NTL is now under discussion with other partners for new business opportunity)
Address:	312 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, the company has increased registered capital to 307 million baht by issuing 107 million new ordinary shares for exercising of EASON-W1 and ESOP warrant amount 100 million and 7 million shares respectively. All warrants now have expired, and the reserved share remained amount 923,371 shares.
- In 2007, Eason Urai Paint Co., Ltd. was established with aim to be the manufacturer and distributor motorcycle paint and others industrial paints in Vietnam,
- In 2008, increased the proportion of shareholding in Origin Miki Thailand Co.Ltd. from 10% to 40%, and change its name to Origin Eason Paint Co., Ltd.
- In 2009, Bright Blue Water Corporation Co., Ltd. was established with aim to be service provider and distributor of water filter and air filtering machine.
- Board of Directors meeting No.5/2012 on November 13, 2012 passed the resolution to approve an establishment of the subsidiary company in Indonesia for expansion production and customer base. The company will not hold less than 60% of proportion with not over USD 3 million of investment.

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. 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, and under Urai Panich group in Vietnam, Lao, Cambodia and Myanmar, and other Thai shareholder is holding 8 % of total shareholders. EUP has been entered into business agreement with BASF (Vietnam) Ltd. (“BVL”) for having rights to manufacture motorcycle coating product. BVL will then response for product distribution to client’s base in motorcycle industry in Vietnam.

In 2012, EUP has increased register capital from USD 4 million to 4.5 million by currently proportion, and expand the production capacity from 500 tons to 1,000 tons per year, which will 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 paint to the industrial end users by the Company totally holds 99.98% of NTL's paid up capital.

After entered cooperation with BASF Thailand Ltd. ("BTL"), the Company sold NTL's asset to BTL (customer database and marketing) for the right to manufacture motorcycle paint and opportunity to manufacture other industrial paints 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	Company	Company's Know-how	Eason
Special offset ink for metal	INX	Manufacturer and distributor UV ink of INX	INX

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 2011 and 2012, the Company's percentage of raw material purchases through importer or distributors are 90.80% and 91.70% of the total raw material purchases respectively and the percentage of raw materials imported by the Company are 9.20 and 8.30% 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 8 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 tolling fee of automotive paint. In the year 2011 and 2012, the Company's revenue accounted for 66.83% and 55.50% of the total revenue respectively, increasing along with expansion of automotive industry. Even the world economic crisis and oil price situation was gradually increased in 2012, Thai economic and many sectors, especially automotive sector, after the flood has been a significant recovery in the first half of the year 2012. The motorcycle consumption was increased due to consumer reduce their daily cost by using motorcycle rather than higher cost of car. At the same time, 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 BASF brand

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, 2012, Eksangkul group who are presently in control of management of the Company is holding 53.27% 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

Connected Transactions

Connected transaction which occurred between Eason Paint Public Company Limited and the related parties in accordance with notes to the financial statements as of 31 December 2012 and 2011 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
				2012	2011	
Eksang Holdings Co., Ltd.	<ul style="list-style-type: none"> ▪ Related company (holding Eason Paint Public Company Limited shares 45.50% of total suffrage) ▪ 100% of paid-up shares were hold by Eksangkul Group. ▪ Having the same group of directors. 	Short-term property rental <ul style="list-style-type: none"> ▪ Rental expenses 	Rented office space for Bangkok branch office, R&D department. Rental contract commenced on March 1, 2008 and expired on February 28, 2011. Contract has a period of 3 years. Rental fee was Baht 321,100 per month. 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.	5.30	5.27	<ul style="list-style-type: none"> ▪ The company rented office space for Bangkok branch office and R&D department ▪ <u>Audit Committee's Opinion</u>: The company has necessity to rent the space for operating activities which is for Bangkok branch office and R&D department. ▪ The first contract has a period of 3 years. The Company hired the independent appraisers to appraise the rental fee. Prefer Appraisal Co., Ltd. appraised on November 7, 2007 and G.P.V. Global Property Valuation Co., Ltd. appraised on March 22, 2010.

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
				2012	2011	
			<ul style="list-style-type: none"> ▪ Rented office space additional rental for Bangkok branch office. Rental contract commenced on May 1, 2010 and expired on April 30, 2013. Contract has a period a 3 years. Rental fee was Baht 107,000 per month. ▪ Rent space and its improvement for warehouse and car park, the contract is one year which the period is from January 1, 2011 to December 31, 2011. Rental rate of Baht 30,000 per month. Contract has a period of one year. It will be renewed on January 1, 2012 and expired on December 31, 2012. Rental 			<ul style="list-style-type: none"> ▪ The second contract has a period of 3 years. The Company hired the independent appraisers to appraise the rental fee G.P.V. Global Property Valuation Co., Ltd. appraised 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. ▪ The third contract has a period of one year. The Company hired the independent appraisers to appraise the rental fee. G.P.V. Global Property Valuation Co., Ltd. appraised on March 22, 2010 ▪ The rental fee rates which are appraised by the independent appraisers are close to market rates and representing normal business transactions.

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
				2012	2011	
			rate of Baht 32,600 per month. On November 25, 2012, the Company had extended the contract and revised the rental fee which was effective from December 1, 2012 and expired on December 31, 2013. The monthly rental fee was Baht 67,410.			
Origin Eason Paint Co., Ltd. ("OEP")	<ul style="list-style-type: none"> ▪ 40% of holding and co - shareholders / directors ▪ Associated company 	<ul style="list-style-type: none"> ▪ Revenue from selling raw material. 	<ul style="list-style-type: none"> ▪ Some plastic coatings formulas are used same raw material as the Company. This is an aggregated order. The price is charged at market price plus agreed profit margin. 	0.25	0.20	<ul style="list-style-type: none"> ▪ OEP is the joint venture, acting as a manufacturer and distributor of plastic coatings. It has the same credit term of payment as the Company's other customers <u>Audit Committee's Opinion:</u> The company joined with OEP for flexibility to expand plastic coating market.
		<ul style="list-style-type: none"> ▪ Accounts receivable and notes receivable 	<ul style="list-style-type: none"> ▪ Normal business transactions associated with selling activities. 			<ul style="list-style-type: none"> ▪ <u>Audit Committee's Opinion:</u> Being normal business transactions.

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
				2012	2011	
		- Beginning balance		0.004	0.159	
		- Ending balance		0.120	0.004	
		<ul style="list-style-type: none"> ▪ Purchase goods 	<ul style="list-style-type: none"> ▪ 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 price is agreed by both parties. 	0.74	0.35	<ul style="list-style-type: none"> ▪ 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.
		<ul style="list-style-type: none"> ▪ Accounts payable - Beginning balance - Ending balance 	<ul style="list-style-type: none"> ▪ Normal business transactions associated with purchase activities 	0.18	0.01	<ul style="list-style-type: none"> ▪ <u>Audit Committee's Opinion:</u> Being normal business transactions.
		<ul style="list-style-type: none"> ▪ Rental fee 	<ul style="list-style-type: none"> ▪ The Company entered into 	6.68	6.56	<ul style="list-style-type: none"> ▪ This lease is for renting factory

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
				2012	2011	
		<ul style="list-style-type: none"> ▪ Service fee 	<p>factory building and warehouse on January 1, 2011 and expired on December 31, 2014. Contract has a period of 3 years. Rental fee is Baht 432,640 and service fee is Baht 97,344 per month.</p> <ul style="list-style-type: none"> ▪ From March 1, 2008, The Company has subleased the space of Bangkok branch in order to be office building and R&D department of OEP. Rental fee is Baht 108,000 and service is Baht 27,000 per month. It will be renewed on March 1, 2011 and expired on February 28, 2014. Contract has a period of 3 years. Rental fee is Baht 114,750 and service 	1.57	1.53	<p>building and warehouse in order to produce and keep plastic coatings total area of 2,704 square meters and</p> <ul style="list-style-type: none"> ▪ The Company has leased the space of Bangkok branch in order to be office building and R&D department total area of 675 square meters. ▪ <u>Audit Committee's Opinion:</u> ▪ The first contract has a period of 3 years. The Company hired the independent appraisers to appraise the rental fee. Prefer Appraisal Co., Ltd. appraised on March 27, 2007. Rental rate is Baht 150 and service rate is Baht 37 per square meters and G.P.V. Global Property Valuation Co., Ltd. appraised on August 26, 2010. Rental rate is Baht 160 and service rate is Baht 36 per square meters. ▪ The second contract has a period of

The company/subsidiaries and related parties	Relationship	Type of transactions	Term and condition of transaction	Transaction value (Million Baht)		Necessities and reasons of executing transactions
				2012	2011	
			fee is Baht 31,050 per month. The Company had entered an amendment of contract on May 23, 2012 to revise the monthly rental fee to be Baht 130,390 and the monthly service fee to be Baht 35,282.			<p>3 years. The Company hired the independent appraisers to appraise the rental fee. Prefer Appraisal Co., Ltd. appraised on November 7, 2007. Rental rate is Baht 160 and service rate is Baht 40 per square meters and G.P.V. Global Property Valuation Co., Ltd. appraised on March 22, 2010. Rental rate is Baht 170 and service rate is Baht 46 per square meters.</p> <ul style="list-style-type: none"> The rental fee rates which are appraised by the independent appraisers are close to market rates and representing normal business.
		Service charges	<ul style="list-style-type: none"> The Company provides other service such as property tax, electrical charge, tent rental and information service systems etc. in order to maximize asset utility. The price is 	2.50	1.46	<ul style="list-style-type: none"> <u>Audit Committee's Opinion:</u> Being normal business transactions.

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
				2012	2011	
			charged at cost plus marginal charge.			
Miki (Thailand) Co., Ltd.	<ul style="list-style-type: none"> ▪ 15% of holding in associated company ▪ Related company 	<ul style="list-style-type: none"> ▪ Rental fee ▪ Service fee 	The Company entered into office building sublease contract on September 1, 2010 and expired on February 28, 2011. Contract a period of one year. Rental rate is Baht 11,520 and service rate is Baht 2,880 per month. It will be renewed on March 1, 2011 and expired February 28, 2012. Contract has a period of one year. Rental rate is Baht 11,520 and service rate is Baht 2,880 per month. The Company had extended the agreement for 1 year which was effective on March 1, 2012 and expired on February 28, 2013. The monthly rental fee was Baht	.014 0.03	0.14 0.03	<ul style="list-style-type: none"> ▪ Rental building for office building. ▪ <u>Audit Committee's Opinion:</u> ▪ The Company hired the independent appraisers to appraise the rental fee. G.P.V. Global Property Valuation Co., Ltd. appraised on March 22, 2010. Rental rate is Baht 160 and service rate is Baht 40 per square meters. ▪ The rental fee rates which are appraised by the independent appraisers are close to market rates and representing normal business.

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
				2012	2011	
			11,520 and the monthly service fee was Baht 2,880.			
		<ul style="list-style-type: none"> ▪ Service charges 	<ul style="list-style-type: none"> ▪ The Company provides other service such as property tax, electric charge and training and seminar, and etc. The price is charged at cost plus marginal charge. 	0.09	0.05	<ul style="list-style-type: none"> ▪ <u>Audit Committee's Opinion:</u> Being normal business transactions.

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.

Management Discussion & Analysis

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 and 3) Other operating sector

Revenue

In year 2012 and year 2011, Total revenue was 663.9 million and 715.0 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 55.5% and 66.8% respectively, other industrial paint sale to total revenue equal to 36.5% and 28.6% respectively.

Revenues (Unit : MB, %)	Year 2012	Year 2011	% 2012	% 2011
Sales and Services	639.4	707.8	96.3%	98.9%
Automotive	368.5	477.8	55.5%	66.8%
Other industrial paints	242.5	204.9	36.5%	28.6%
Other	28.4	25.0	4.2%	3.5%
Other income	24.5	7.1	3.6%	1.0%
Total revenues	663.9	715.0	100.0%	100.0%
Share of profit of associated company	28.3	17.2		

Total revenue contains:

- 1) Sale and service revenue can be categorized into 3 major sectors as below.
 - Automotive paint e.g. Motorcycle paint use for spray on motorcycle's body and parts. This revenue would vary with automotive industry and order from customers.
 - Other industrial paints sale and service revenue which was came from sale to printing industry and packaging industry and industrial glue toll fee. This revenue would vary with food industry and packaging industry performance.
 - Other sale and service revenue e.g. revenue from sale and rental water filtering and air filtering, other fees such as logistics fee and warehouse service fee.
- 2) Other income from other asset sale, profit (loss) from currency exchange, selling of scrap and interest.

Total Revenue in 2012 was decreased comparing to former year since decrement of revenue from sell and service which can be explained by group as follows; revenue from automotive paint amount of 368.5 million baht was decreased comparing to former year due to term of Toll manufacturing agreement, which almost of raw materials in few first years were served to BASF (Thai) Ltd. ("BTL") by the company. Therefore, income from selling of raw materials was combined to revenue in total. Once BTL has itself purchase raw material in

2012, the total revenue was decreased by the same direction due to decrement of selling of raw materials . However, consumption of tolling in 2012 was higher than former year.

Revenue from other industrial paints, such as metal ink and packaging coating, was increased by adopter of customer order both domestic and international.

Other income amount of 24.5 million baht in 2012, which was increased comparing to previous year, is from asset transfer by term of Toll manufacturing agreement with BTL. This one-time revenue amount of 18.6 million baht.

Expenses

Major raw materials used in paints production are color powder, resin, solvent, and other chemicals. Almost industry paint manufacturers are mainly use imported raw materials rather than local raw materials. Since quality of most local raw materials are not equal to imported raw materials.

The cost of goods sold and service revenue also other income in 2012 and 2011 was in the range of 60.6% and 72.2 to total revenue respectively. The cost of goods sold and service in 2012 was decreased in same direction of raw material cost. Total revenue in 2012 was increased from one-time income of asset transfer due to term of Toll manufacturing agreement. Supplies used expenses in 2012 and 2011 was 352.2 million baht and 458.8 million baht respectively.

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.

In 2012 and 2011, selling expenses, administrative expenses and Management benefit expenses was 154.5 million baht and 148.5 million baht respectively, where as the ratio of selling expenses, administrative expenses and Management benefit expenses to total revenue in 2012 and 2011 was 23.2% and 20.7% respectively. In 2012, Major expenses came from human resources expenses. The company remains human resource development policy to achieve more knowledge and ability which is important factors sustainable growth, and allowance for impairment in subsidiary company in amount of 10.7 million baht.

Financial cost and corporate tax

In 2012 and 2011, the Company had financial cost of 0.7 million baht and 2.4 million baht respectively. The ratio of interest payment to total revenue was 0.1% and 0.3% respectively. The interest payment was interest from leasing contracts and interest expense. The company has no long-term bank loan at the end of 2012.

The Company had income tax at the rate 23% for 2012 and at the rate of 30% for 2011. The corporate tax expense to total revenue is about 2 - 4%. In 2012 and 2011, corporate tax expense was 24.8 million baht and 18.3 million baht respectively.

Profit

In 2012 and 2011, the company's gross profit to revenue from sale and service for 37.7%, and 27.2%. The operating profit to revenue from sale and service are 19.3% and 8.6% respectively. Also the Company earned net profit to total revenue of 16.0% and 7.0% respectively. The primary cause of better gross profit to revenue while total revenue decreased is from decrement of raw materials selling to BTL.

Total assets

As of December 31, 2012, the Company had total assets of 750.5 million baht, increased from former year 37.5 million baht. Current assets of 362.9 million baht (cash on hand, cash in bank, account receivable, inventory), and advance payment for land and building in Bekasi, Indonesia of 12.8 million baht. Fixed assets of 387.5 million baht (land, buildings, machine, vehicles, water filtering for rent).

Account receivable

In 2012, the company had net accounts and bills receivables in amount of 152.3 million baht or accounted for 15.50% of total assets. The increase by 35.5 million baht from former year was the result of increasing of sale from both domestic and international, including advance payment for land and building of Indonesia project. Most of the trade receivables were under 90 days term according to the credit terms. The details of the account receivables are classified as follows:

Trade account (Unit : million baht, %)	2012	2011	%2012	%2011
Current	97.3	74.5	63.9%	63.5%
Overdue 0 day to 90 days	26.2	31.0	17.2%	26.4%
Overdue from 91 days onwards	1.7	1.0	1.1%	0.9%
Total	125.2	106.5	82.2%	90.8%
<u>Less</u> allowance for doubtful accounts	(0.4)	(0.4)	-0.3%	-0.3%
Trade account and note receivables, net	124.8	106.1	81.9%	90.5%
Other trade account	27.5	11.2	18.1%	9.5%
Total	152.3	117.3	100.0%	100.0%

The policy for allowance for doubtful debt from the account receivable which has aging more than 1 year although in 2012, allowance for doubtful debts was 0.4 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 2012 and 2011, the Company had allowance for the diminishing value of 0.07 million baht and 0.42 million baht.

Inventory in 2012 and 2011 of 57.4 million baht and 65.8 million baht respectively, the decreasing of inventory is from Toll manufacturing agreement with BTL, so the company has no raw materials and inventory for automotive paint.

Liquidity

At the end of year 2012, the company had net cash flow decrease of 63.0 million baht. The company had net cash flow include cash at beginning of period of 98.7 million baht in total. Cash from operating activities of 58.7 million baht was decreased comparing to former year, which used for trade account and advance payment for Indonesia project.

The cash from investing activities of 72.5 million baht was increased comparing to year from fix assets investment, normal operating and increment of short term investment and long term investment.

Resource of capital

In 2012 and 2011, the company had debt to equity ratio of 0.2 times and 0.3 times respectively. The company had decreased debt to equity ratio from period year since the company has paid full loan repayment already.

Shareholders' Equity

The resolution of the Board of Director held on February 27, 2012 has unanimously resolved to decrease the paid-up capital by writing off the repurchase shares at the amount of 20,182,600 shares which could not be sold within the resale period, and the company does not have any necessary to use the fund from selling the repurchased shares. The company had decreased its paid-up capital from 306,076,629 baht to 285,894,029 baht at par value of 1.00 baht each.

Liabilities

At the end of 2012 and 2011, the company had liability 123.7 million baht and 159.8 million baht respectively, separated into short term loan 108.4 million baht and 145.7 million baht, mostly account payable and long term loan due in 1 year for long term loan total of 15.3 million baht and 14.2 million baht respectively, almost of non-current liabilities is from employee benefits.

The company has no loan from institution in 2012, however, the company has been offered the short term loan from financial institution such as overdraft, amount of promissory note, guarantee the amount of L/C, T/R and forward contract.

External Auditor fee

The company and its subsidiaries paid external auditor fee in the Accounting period of 2012 and 2011 totaling 0.9 million baht both years. 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 with under capacity expansion, and Bright Blue Water Corporation Limited as subsidiary company, to distribute and provide service of water and air filtering machine, and the establishment of the subsidiary company in Indonesia. These projects are in investing period. The company's assets would be increased and would cause of higher depreciation that might affect to net profit of the company.

Business expansion

The establishment of the subsidiary company in Indonesia with investment not over USD 3 million will be expanding production base and future market which the group of company has already reserved land and building in Bekasi, Indonesia.

Summary consolidated balance sheets as at December 31, 2010 – 2012

Consolidated Balance Sheet (Unit : Million Baht)	2012	2011	2010	2012%	2011%	2010%
<u>Current Assets</u>						
Cash and cash equivalents	98.7	161.7	100.7	13.2%	22.7%	14.3%
Short term investment	53.9	0.3	31.9	7.2%	0.0%	4.5%
Trade account and note receivables, net	152.4	117.4	110.3	20.3%	16.5%	15.7%
Inventories, net	57.4	65.8	69.7	7.7%	9.2%	9.9%
Other current assets	0.6	0.6	18.3	0.1%	0.1%	2.6%
Total current assets	363.0	345.8	330.9	48.4%	48.5%	47.0%
<u>Non-current assets</u>						
Investment in associated company	79.0	62.7	58.1	10.5%	8.8%	8.2%
Other long term investment	10.0	-	-	1.3%	0.0%	0.0%
Property, plant and equipment, net	268.1	272.3	282.6	35.7%	38.2%	40.1%
Intangible assets, net	5.7	6.6	7.6	0.8%	0.9%	1.1%
Leasehold right, net	17.3	18.1	19.6	2.3%	2.5%	2.8%
Other non-current assets	7.5	7.4	5.8	1.0%	1.0%	0.8%
Total non-current assets	387.5	367.1	373.7	51.6%	51.5%	53.0%
Total assets	750.5	712.9	704.6	100.0%	100.0%	100.0%
<u>Current liabilities</u>						
Trade account and note payables	93.0	128.6	109.2	12.4%	18.0%	15.5%
Current portion of long term loans from financial institution	0.3	9.0	22.8	0.0%	1.3%	3.2%
Accrued income tax	10.0	4.3	5.3	1.3%	0.6%	0.8%
Account payable for purchase assets	5.0	3.8	29.8	0.7%	0.5%	4.2%
Total current liabilities	108.4	145.7	167.2	14.4%	20.4%	23.7%
<u>Non-current liabilities</u>						
Long term loans from financial institution, net	-	-	56.5	0.0%	0.0%	8.0%
Liabilities under-hire purchase agreement, net	0.2	0.6	1.2	0.0%	0.1%	0.2%
Employee benefits	15.1	13.6	-	2.0%	1.9%	-
Total non-current liabilities	15.3	14.2	57.7	2.0%	2.0%	8.2%
Total liabilities	123.7	159.8	224.9	16.5%	22.4%	31.9%
<u>Shareholders' equity</u>						
Issued and paid-up capital : Ordinary shares	285.9	306.1	225.0	38.1%	42.9%	31.9%
Share subscription received in advance	-	-	4.6	0.0%	0.0%	0.7%
Premium on share capital	92.0	111.4	111.4	12.3%	15.6%	15.8%
Statements of foreign entity	-	-	(14.2)	0.0%	0.0%	-2.0%
Appropriated						
Legal reserve	24.5	20.1	17.5	3.3%	2.8%	2.5%
Treasury shares reserve	-	39.6	39.6	0.0%	5.6%	5.6%
Unappropriated	207.1	103.7	99.5	27.6%	14.5%	14.1%
Other components of shareholder's equity	(13.3)	(17.7)	-	-1.8%	-2.5%	0.0%
<u>Less</u> treasury shares	-	(39.6)	(39.6)	0.0%	-5.6%	-5.6%
Shareholder's equity of the parent, net	596.2	523.6	443.9	79.4%	73.5%	63.0%
Minority interest in subsidiaries	30.5	29.4	35.9	4.1%	4.1%	5.1%
Total shareholder's equity	626.8	553.1	479.7	83.5%	77.6%	68.1%
Total liabilities and shareholder's equity	750.5	712.9	704.6	100.0%	100.0%	100.0%

Summary statements of income for the year ended December 31, 2010 – 2012

Consolidated statement of income (Unit : Million Baht)	2012	2011	2010	2012%	2011%	2010%
Revenues						
Sales and services	639.43	707.85	699.98	96.31%	98.99%	99.00%
Dividends income	0.03	0.01	-	0.01%	0.00%	0.00%
Other income	24.47	7.18	7.08	3.69%	1.00%	1.00%
Total income	663.94	715.04	707.06	100.00%	100.00%	100.00%
Expenses						
Cost of sales and services	402.87	516.15	517.92	60.68%	72.18%	73.25%
Selling and administrative expenses	154.54	148.50	149.06	23.28%	20.77%	21.08%
Selling expenses	7.75	7.74	5.74	1.17%	1.08%	0.81%
Administrative expenses	146.79	140.76	143.32	22.11%	19.69%	20.27%
Financial cost	0.72	2.44	3.48	0.11%	0.34%	0.49%
Total expenses	558.13	667.08	670.46	84.06%	93.29%	94.82%
Share of profit associated company	28.38	17.21	16.04	4.27%	2.41%	2.27%
Profit before financial cost and income tax	134.19	65.17	52.63	20.21%	9.11%	7.44%
Income tax	24.89	18.33	15.69	3.75%	2.56%	2.22%
Net profit	109.30	46.83	36.95	16.46%	6.55%	5.23%

Profit (loss) attributable to:						
Shareholders of the parent	111.11	51.02	46.01	16.74%	7.14%	6.51%
Non-controlling interests	(1.81)	(4.19)	(9.07)	-0.27%	-0.59%	-1.28%

Summary statements of cash flows for the year ended December 31, 2010 – 2012

Statement of cash flows (Unit : Million Baht)	2012	2011	2010
Net cash provident by operating activities	58.79	75.40	20.40
Net cash used in investing activities	(72.56)	7.78	(55.21)
Net cash provident by (used in) financing activities	(49.14)	(28.89)	22.55
Net increase (decrease) statement of foreign entity	(0.10)	6.75	(9.88)
Net increase (decrease) in cash and cash equivalents	(63.00)	61.04	(22.14)
Cash and cash equivalents, at beginning of year	161.70	100.67	122.81
Cash and cash equivalents, at end of year	98.70	161.70	100.67

Financial ratio as at December 31, 2010 - 2012

Financial ratio	Unit	2012	2011	2010
<u>Liquidity ratio</u>				
Current ratio	(times)	3.35	2.37	1.98
Quick ratio	(times)	2.81	1.92	1.45
Cash ratio	(times)	0.54	0.52	0.12
Collection period	(days)	79	60	57
Holding period	(days)	51	46	48
Payment period	(days)	83	90	76
Cash Cycle	(days)	47	16	29
<u>Profitability ratio</u>				
Gross profit margin	(%)	37.7%	27.2%	26.2%
Operating profit margin	(%)	19.3%	8.6%	7%
Cash to net profit	(times)	0.36	1.48	0.44
Net profit margin*	(%)	16.0%	7.0%	6.4%
Return on equity	(%)	18.6%	10.5%	11.4%
<u>Management efficiency ratio</u>				
Current assets to Total assets	(times)	48%	49%	47%
Non-current assets to Total assets	(times)	52%	51%	53%
Return on assets	(%)	18.8%	9.4%	8.2%
Return on fixed assets	(%)	29.1%	14.2%	12.6%
<u>Leverage ratio or Financial ratio</u>				
Debt to equity	(times)	0.2	0.3	0.5

*Net profit margin = net profit (for parents' shareholders)/total revenue(including profit from related company)

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Report of Auditor

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

I have audited the accompanying consolidated financial statement of EASON PAINT PUBLIC COMPANY LIMITED and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012, and the related consolidated statement of income, comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and the separate financial statements of EASON PAINT PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2012, and the statement of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility


My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, 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, 2012, and the consolidated results of their operations, changes in their shareholders' equity and their cash flows for the year then ended, and the financial position of EASON PAINT PUBLIC COMPANY LIMITED as at December 31, 2012, and the results of its operation, changes in its shareholders' equity and its cash flows for the year then ended in accordance with the Financial Reporting Standards



(Miss Sulalit Ardsawang)

Certified Public Accountant

Registration No. 7517

Dharmniti Auditing Company Limited

Bangkok, Thailand

February 22, 2013

2013/124/0118

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION****AS AT DECEMBER 31, 2012 AND 2011**

		Baht				
		Consolidated financial statements		Separate financial statements		
Note		2012	2011	2012	2011	
Current assets						
	Cash and cash equivalents	6	98,697,972.54	161,700,790.57	74,582,607.27	142,170,830.03
	Current investments	7	53,864,896.58	252,500.00	53,360,949.01	252,500.00
	Trade and other receivables	5, 8	152,376,643.82	117,390,327.44	143,389,371.29	113,589,015.00
	Inventories	9	57,416,030.33	65,840,281.57	51,904,413.94	60,591,493.75
	Other current assets		617,585.50	604,883.61	197,262.76	163,407.25
	Total current assets		362,973,128.77	345,788,783.19	323,434,604.27	316,767,246.03
Non-current assets						
	Investment in associated company	10	79,045,673.65	62,666,088.67	35,784,300.00	35,784,300.00
	Investment in subsidiaries	11	-	-	105,436,492.41	111,248,190.13
	Other long-term investments	7	10,000,000.00	-	10,000,000.00	-
	Long-term loans to subsidiary	12	-	-	13,100,000.00	11,000,000.00
	Property, plant and equipment	13	268,083,909.02	272,271,120.62	205,111,336.00	205,101,412.41
	Intangible assets	14	5,654,627.34	6,613,231.86	5,427,367.05	6,315,971.59
	Leasehold right	15	17,265,946.97	18,137,500.89	-	-
	Other non-current assets		7,479,466.48	7,428,676.07	5,713,866.02	5,707,268.15
	Total non-current assets		387,529,623.46	367,116,618.11	380,573,361.48	375,157,142.28
	TOTAL ASSETS		750,502,752.23	712,905,401.30	704,007,965.75	691,924,388.31

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION (CONT.)****AS AT DECEMBER 31, 2012 AND 2011****LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Current liabilities					
Trade and other payables	5, 16	93,038,639.53	128,613,829.12	80,580,173.82	117,393,243.13
Current portion of long-term loans from financial institution	18	-	7,536,000.00	-	7,536,000.00
Current portion of liabilities under hire-purchase agreements	19	341,710.78	1,487,839.55	341,710.78	1,487,839.55
Accrued income tax		10,010,268.08	4,278,552.26	10,010,268.08	4,278,552.26
Other current liabilities		5,026,605.87	3,773,343.13	4,734,213.58	2,880,156.98
Total current liabilities		108,417,224.26	145,689,564.06	95,666,366.26	133,575,791.92
Non-current liabilities					
Liabilities under hire-purchase agreements	19	237,343.72	579,054.52	237,343.72	579,054.52
Employee benefit obligations	20	15,081,428.03	13,576,166.94	14,286,796.11	13,045,475.94
Total non-current liabilities		15,318,771.75	14,155,221.46	14,524,139.83	13,624,530.46
Total liabilities		123,735,996.01	159,844,785.52	110,190,506.09	147,200,322.38

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION (CONT.)****AS AT DECEMBER 31, 2012 AND 2011****LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)**

		Baht			
		Consolidated financial statements		Separate financial statements	
Note		2012	2011	2012	2011
Shareholders' equity					
Share capital					
Registered share capital					
		286,817,400.00		286,817,400.00	
		307,000,000.00	307,000,000.00		307,000,000.00
Issued and paid-up shares capital					
		285,894,029.00		285,894,029.00	
			306,076,629.00		306,076,629.00
		92,020,440.57	111,416,500.00	92,020,440.57	111,416,500.00
Retained earnings					
Appropriated					
	- legal reserve	24	24,500,218.86	20,147,030.51	24,500,218.86
	- treasury shares reserve	23	-	39,578,659.43	-
	Unappropriated		207,131,481.94	103,677,821.16	186,507,815.22
	Other components of shareholders' equity		(13,328,842.28)	(17,677,904.88)	4,894,956.01
	Total shareholders' equity of the parent		596,217,328.09	563,218,735.22	593,817,459.66
	Less treasury shares	23	-	(39,578,659.43)	-
	Total shareholders' equity of the parent		596,217,328.09	523,640,075.79	593,817,459.66
	Non-controlling interests		30,549,428.13	29,420,539.99	-
	Total shareholders equity		626,766,756.22	553,060,615.78	593,817,459.66
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		750,502,752.23	712,905,401.30	704,007,965.75

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, 2012 AND 2011

		Baht			
		Consolidated statements of income		Separate statements of income	
Note	2012	2011	2012	2011	
Revenues					
Sales and services	5	639,432,277.24	707,847,316.22	606,258,278.78	682,687,629.39
Dividend income	10	33,500.00	7,500.00	12,033,500.00	12,007,500.00
Other income	5, 31	24,473,688.32	7,182,681.83	23,549,632.87	4,928,064.71
Total revenues		<u>663,939,465.56</u>	<u>715,037,498.05</u>	<u>641,841,411.65</u>	<u>699,623,194.10</u>
Expenses					
Cost of sales and services	5	402,870,229.12	516,142,325.61	384,752,580.58	499,235,271.02
Selling expenses		7,751,285.53	7,739,376.86	7,004,654.74	6,062,034.72
Administrative expenses	5	146,788,948.43	140,761,825.39	137,432,711.34	121,468,002.35
Finance costs		717,498.37	2,440,706.73	695,208.37	2,426,156.54
Total expenses		<u>558,127,961.45</u>	<u>667,084,234.59</u>	<u>529,885,155.03</u>	<u>629,191,464.63</u>
Share of profit of associated company	10	28,379,584.98	17,214,057.78	-	-
Profit before income tax expense		134,191,089.09	65,167,321.24	111,956,256.62	70,431,729.47
Income tax expense	26	24,892,489.55	18,333,259.05	24,892,489.55	18,331,119.19
Profit for the year		<u>109,298,599.54</u>	<u>46,834,062.19</u>	<u>87,063,767.07</u>	<u>52,100,610.28</u>
Profit (loss) attributable to :					
Shareholders of the parent		111,111,694.05	51,020,050.70	87,063,767.07	52,100,610.28
Non-controlling interests		(1,813,094.51)	(4,185,988.51)	-	-
Basic earnings per share					
Profit for the year of parent	27	<u>0.3886</u>	<u>0.1949</u>	<u>0.3045</u>	<u>0.1990</u>

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Baht				
	Consolidated statements of income		Separate statements of income		
	Note	2012	2011	2012	2011
Profit for the year		109,298,599.54	46,834,062.19	87,063,767.07	52,100,610.28
Other comprehensive income :					
- Currency translation changes of the financial statements of foreign entity		(548,635.76)	(5,631,738.75)	-	-
- Unrealized gain (loss) on available-for-sale securities		4,913,131.01	(18,175.00)	4,913,131.01	(18,175.00)
Total comprehensive income for the year		<u>113,663,094.79</u>	<u>41,184,148.44</u>	<u>91,976,898.08</u>	<u>52,082,435.28</u>
Total comprehensive income (loss) attributable to :					
Shareholders of the parent		115,460,756.65	47,510,197.68	-	-
Non-controlling interests in subsidiaries		(1,797,661.86)	(6,326,049.24)	-	-

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Baht													
Consolidated financial statements													
Shareholders' equity of the parent												Non-controlling	Total equity
	Share capital issued and paid-up	Premium on share capital	Share subscription received in advance	Retained earnings		Unappropriated	Other components of shareholders' equity			Treasury shares	Total equity of the parent	interests	
				Appropriated			Other comprehensive income						
				- Legal reserve	- Treasury shares reserve		- Currency translation changes of the financial statements of foreign entity	- Unrealized gain (loss) on change in value of investment	Total				
Beginning balance, 2011	225,004,047.00	111,416,500.00	4,640,400.00	17,542,000.00	39,578,659.43	86,682,078.02	(14,168,051.86)	-	(14,168,051.86)	(39,578,659.43)	431,116,973.16	35,746,589.23	466,863,562.39
Increase in share capital from exercise of warrants	22 81,072,582.00										81,072,582.00	-	81,072,582.00
Share subscription received in advance from exercise of warrants			22 (4,640,400.00)								(4,640,400.00)	-	(4,640,400.00)
Legal reserve				24 2,605,030.51		(2,605,030.51)					-	-	-
Dividend paid					25 (31,419,277.05)						(31,419,277.05)	-	(31,419,277.05)
Total comprehensive income for the year						51,020,050.70	(3,491,678.02)	(18,175.00)	(3,509,853.02)		47,510,197.68	(6,326,049.24)	41,184,148.44
Ending balance, 2011	306,076,629.00	111,416,500.00	-	20,147,030.51	39,578,659.43	103,677,821.16	(17,659,729.88)	(18,175.00)	(17,677,904.88)	(39,578,659.43)	523,640,075.79	29,420,539.99	553,060,615.78
Reduce paid-up share capital by writing off treasury shares	22 (20,182,600.00)	(19,396,059.43)				39,578,659.43					-	-	-
Reversal of appropriated retained earnings for treasury shares					23 (39,578,659.43)					39,578,659.43	-	-	-
Share capital paid-up Legal reserve				24 4,353,188.35		(4,353,188.35)					-	-	-
Dividend paid					25 (42,883,504.35)						(42,883,504.35)	-	(42,883,504.35)
Total comprehensive income for the year						111,111,694.05	(564,068.41)	4,913,131.01	4,349,062.60		115,460,756.65	(1,797,661.86)	113,663,094.79
Ending balance, 2012	285,894,029.00	92,020,440.57	-	24,500,218.86	-	207,131,481.94	(18,223,798.29)	4,894,956.01	(13,328,842.28)	-	596,217,328.09	30,549,428.13	626,766,756.22

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, 2012 AND 2011

		Baht								
		Separate financial statements								
	Note	Share capital issued and paid-up	Premium on share capital	Share subscription received in advance	Retained earnings		Other components of shareholders' equity Unrealized gain (loss) on change in value of investment	Treasury shares	Total equity	
					Appropriated					Unappropriated
					- legal reserve	-Treasury shares reserve				
Beginning balance, 2011		225,004,047.00	111,416,500.00	4,640,400.00	17,542,000.00	39,578,659.43	89,025,778.70	-	(39,578,659.43)	447,628,725.70
Increase in share capital from exercise of warrants	22	81,072,582.00								81,072,582.00
Share subscription in advance from exercise of warrants	22			(4,640,400.00)						(4,640,400.00)
Legal reserve	24				2,605,030.51		(2,605,030.51)			-
Dividend paid	25						(31,419,277.05)			(31,419,277.05)
Total comprehensive income for the year							52,100,610.28	(18,175.00)		52,082,435.28
Ending balance, 2011		306,076,629.00	111,416,500.00	-	20,147,030.51	39,578,659.43	107,102,081.42	(18,175.00)	(39,578,659.43)	544,724,065.93
Reduce paid-up share capital by writing off treasury share	22	(20,182,600.00)	(19,396,059.43)				39,578,659.43			-
Reversal of appropriated retained earnings treasury share:	23					(39,578,659.43)			39,578,659.43	-
Legal reserve	24				4,353,188.35		(4,353,188.35)			
Dividend paid	25						(42,883,504.35)			(42,883,504.35)
Total comprehensive income for the year							87,063,767.07	4,913,131.01		91,976,898.08
Ending balance, 2012		285,894,029.00	92,020,440.57	-	24,500,218.86	-	186,507,815.22	4,894,956.01	-	593,817,459.66

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit for the year	109,298,599.54	46,834,062.19	87,063,767.07	52,100,610.28
Items to reconcile profit for the year to net cash provided by (used in) operating activities :				
(Gain) loss on sale of available-for-sale securities	(883,429.57)	2,763,697.38	(883,429.57)	2,763,697.38
Allowance for doubtful accounts (reversal)	(35,000.00)	(55,000.00)	(35,000.00)	(55,000.00)
Bad debt	39,876.00	435,110.00	-	-
Depreciation and amortization	32,543,728.83	33,845,267.69	23,976,739.31	24,694,207.85
Loss on declining value of inventories (reversal)	(351,685.26)	(30,101.10)	(351,685.26)	(30,101.10)
Loss on impairment of investment in subsidiary	-	-	10,692,647.72	1,654,692.07
Expenses for employee benefits	1,755,261.09	1,630,296.94	1,491,320.17	1,387,639.94
Gain on sale of fixed assets	(265,482.25)	(363,168.06)	(655,335.50)	(961,348.00)
Share of net profit in associated company	(28,379,584.98)	(17,214,057.78)	-	-
Dividend income	(33,500.00)	(7,500.00)	(12,033,500.00)	(12,007,500.00)
Interest income	(1,330,779.73)	(1,378,842.65)	(1,220,373.93)	(1,556,074.22)
Interest expenses	156,512.96	1,940,240.06	156,512.96	1,937,787.87
Income tax	24,892,489.55	18,333,259.05	24,892,489.55	18,331,119.19
Profit from operations before changes in operating assets and liabilities	137,407,006.18	86,733,263.72	133,094,152.52	88,259,731.26
(Increase) decrease in operating assets				
Investment in securities held-for-trading	(503,947.57)	1,905,000.00	-	-
Trade and other receivables	(34,894,863.81)	2,156,874.87	(29,659,476.67)	1,643,994.22
Inventories	8,775,936.50	3,887,998.81	9,038,765.07	1,986,455.24
Other current assets	(12,701.89)	8,041,558.69	(33,855.51)	560,806.39
Other non-current assets	(50,790.41)	(1,668,135.02)	(6,597.87)	(1,400.00)
Increase (decrease) in operating liabilities				
Trade and other payables	(35,005,963.94)	(8,183,818.78)	(36,813,069.31)	(6,204,196.74)
Other current liabilities	1,253,262.74	705,469.47	1,854,056.60	481,242.58
Cash generated from operation	76,967,937.80	93,578,211.76	77,473,974.83	86,726,632.95
Cash received from interest income	1,234,451.16	1,452,354.98	1,114,494.31	1,575,761.22
Benefits paid by the plan	(250,000.00)	(265,000.00)	(250,000.00)	(265,000.00)
Cash paid for income tax expense	(19,160,773.73)	(19,370,566.38)	(19,160,773.73)	(19,368,426.52)
Net cash provided by operating activities	58,791,615.23	75,395,000.36	59,177,695.41	68,668,967.65

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONT.)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Cash flows from investing activities</u>				
(Increase) decrease in current investments	(47,311,888.43)	26,965,627.62	(47,311,888.43)	26,965,627.62
Cash paid for investment in subsidiary	-	-	(4,880,950.00)	-
Cash paid for other long-term investments	(10,000,000.00)	-	(10,000,000.00)	-
Cash paid for loans to subsidiary	-	-	(2,100,000.00)	(2,500,000.00)
Cash received from dividend	12,033,500.00	12,007,500.00	12,033,500.00	12,007,500.00
Cash paid for purchase of fixed assets	(33,534,708.24)	(32,084,155.77)	(26,139,696.64)	(20,692,466.17)
Cash received from sale of fixed assets	6,477,486.27	1,045,100.66	3,916,473.78	1,013,650.66
Cash paid for intangible assets	(219,500.00)	(157,500.00)	(219,500.00)	-
Net cash provided by (used in) investing activities	<u>(72,555,110.40)</u>	<u>7,776,572.51</u>	<u>(74,702,061.29)</u>	<u>16,794,312.11</u>
<u>Cash flows from financing activities</u>				
Cash paid for long-term loans from financial institution	(7,536,000.00)	(69,040,000.00)	(7,536,000.00)	(69,040,000.00)
Cash paid for hire-purchase agreements	(1,487,839.57)	(2,921,389.31)	(1,487,839.57)	(2,793,979.72)
Cash received from issued ordinary shares	2,926,550.00	-	-	-
Cash received from exercise of warrants	-	76,432,182.00	-	76,432,182.00
Cash paid for dividend	(42,883,504.35)	(31,419,277.05)	(42,883,504.35)	(31,419,277.05)
Cash paid for interest expenses	(156,512.96)	(1,940,240.06)	(156,512.96)	(1,937,787.87)
Net cash provided by (used in) financing activities	<u>(49,137,306.88)</u>	<u>(28,888,724.42)</u>	<u>(52,063,856.88)</u>	<u>(28,758,862.64)</u>
Increase (decrease) in currency translation change of financial statements of foreign entity	<u>(102,015.98)</u>	<u>6,752,779.05</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(63,002,818.03)	61,035,627.50	(67,588,222.76)	56,704,417.12
Cash and cash equivalents, at beginning of year	<u>161,700,790.57</u>	<u>100,665,163.07</u>	<u>142,170,830.03</u>	<u>85,466,412.91</u>
Cash and cash equivalents, at end of year	<u><u>98,697,972.54</u></u>	<u><u>161,700,790.57</u></u>	<u><u>74,582,607.27</u></u>	<u><u>142,170,830.03</u></u>
<u>Supplemental disclosures of cash flows information:</u>				
Non-monetary transactions				
The Company acquired vehicle by entering into hire-purchase contract	-	1,013,400.00	-	1,013,400.00

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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.

As at December 31, 2012 and 2011, the company's major shareholder is Eksang holdings Co., Ltd. who held 45.40% and 47.50%, respectively of the paid-up share capital (as Eksang holdings Co., Ltd. held 100% by Eksangkul family) and the rest 7.87% and 8.32%, respectively is held by the person from Eksangkul family, making up 53.27% and 55.82%, respectively in total shareholding.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011****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	Main business	Country of incorporation	Percentage of holding	
			2012	2011
N.O.F (Thailand) Ltd.	Under the process to establish policy and strategic plan	Thailand	99.98	99.98
Eason Urai Paint Co., Ltd.	Manufacturing and selling of automotive, industrial paint and other	Vietnam	62.00	62.00
Bright Blue Water Corp. Ltd.	Selling and services air purifiers and water filtration devices	Thailand	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, 2012 AND 2011

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 dividend income when the right to receive the dividends is established.

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 subsidiary determines the cost by the specific identification method.

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.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011****3.5 Investments****Investments in marketable equity securities**

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the statements of income.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in other components of shareholder's equity, and will be recorded as gains or losses in the statement of income when the securities are sold.

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

Investments in associates

Associates are all entities over which the Company has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statement, investments in associates are initially recognized at cost and are accounted for using the equity method.

Investments in associates are stated at cost net from allowance on impairment in the separate financial statements (if any).

Investments in subsidiaries

Subsidiaries are entities over which the Company has the power to control their financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The financial statements of the subsidiaries are consolidated from the date the Company exercises control over the subsidiaries until the date that control power ceases.

Investments in subsidiaries are stated at cost net from allowance on impairment in the separate financial statements (if any).

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).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company (if any).

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012 AND 2011

Depreciation is calculated by cost less residual value on the straight-line method over the estimated useful lives of the assets, as following :-

Type of assets	The estimated useful lives
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

The Company has reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of income.

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 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 benefit 10 years.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

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 at the end of reporting period. 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 accordance with the financial reporting standards 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, 2012 AND 2011

3.13 Employee benefits

Short-term employment 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.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments it must pay to the employees upon retirement under the labor law and other employee benefit plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately in profit or loss.

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.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011****3.15 Impairment of assets**

As at the statement of financial position date, the Company assesses whether there is an indication of asset impairment. If any such indication exists, the Company will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell.

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.

3.17 Income tax expense

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

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

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR AND NOT YET EFFECTIVE

On March 15, 2012, the Federation of Accounting Professions (FAP) has issued the financial reporting standard TFRS 8: Operating Segments, which is effective for fiscal year beginning on or after January 1, 2013.

The management of the Company is evaluating the impact on the financial statements when this financial reporting standard is initially applied.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

5. TRANSACTIONS WITH RELATED COMPANIES

	<u>Relationship</u>
<u>Subsidiary companies</u>	
N.O.F (Thailand) Ltd.	99.98% of holding, Co - Director/Shareholder
Eason Urai Paint Co., Ltd.	62% of holding, Co - Director/Shareholder
Bright Blue Water Corp. Ltd.	60% of holding, Co - Director/Shareholder
<u>Associated company</u>	
Origin Eason Paint Co., Ltd.	40% of holding, Co - Director/Shareholder
<u>Related companies</u>	
Eksang holdings Co., Ltd.	45.40% of holding in the Company
Urai Panich Co., Ltd.	30% of holding in subsidiary company
Miki (Thailand) Co., Ltd.	15% of holding in associated company
<u>Pricing policy</u>	
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 and service income	- Warehouse and office rental depending on actual space are approximately Baht 11,520 - 432,640 per month in accordance with agreements.
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 32,100 - 298,760 per month in accordance with agreements.
Other expenses	- Raw materials for research and development are charged at market value.
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, 2012 AND 2011

The Company has significant transactions with subsidiary companies, associated company and related companies are as following:

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Transactions in the statement of income</u>				
<u>Subsidiary companies</u>				
Sales				
Eason Urai Paint Co., Ltd.	-	-	-	631,944.42
Rental and service income				
Bright Blue Water Corp. Ltd.	-	-	16,471.50	53,965.37
Other income				
Eason Urai Paint Co., Ltd.	-	-	696,031.00	1,189,178.46
Bright Blue Water Corp. Ltd.	-	-	724,868.06	545,091.17
	-	-	1,420,899.06	1,734,269.63
Other expense				
Bright Blue Water Corp. Ltd.	-	-	232,570.16	290,237.45
<u>Associated company</u>				
Sale				
Origin Eason Paint Co., Ltd.	234,508.00	196,681.89	234,508.00	196,681.89
Rental and service income				
Origin Eason Paint Co., Ltd.	10,751,187.31	9,552,370.53	10,751,187.31	9,552,370.53
Purchases				
Origin Eason Paint Co., Ltd.	736,673.00	350,760.00	736,673.00	350,760.00
<u>Related companies</u>				
Rental and service income				
Miki (Thailand) Co., Ltd.	267,571.00	221,888.00	267,571.00	221,888.00
Other expenses				
Eksang holdings Co., Ltd.	5,295,130.00	5,273,800.00	5,295,130.00	5,273,800.00

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

The Company has outstanding with subsidiary companies, associated company and related companies are as following :

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Outstanding balances at the statements of financial position</u>				
<u>Subsidiary companies</u>				
Trade and other receivables				
Eason Urai Paint Co., Ltd.	-	-	803,399.00	1,210,332.74
Bright Blue Water Corp. Ltd.			63,376.38	74,372.27
	-	-	866,775.38	1,284,705.01
Other non-current assets				
Bright Blue Water Corp. Ltd.	-	-	1,401.87	-
Trade and other payables				
Bright Blue Water Corp. Ltd.	-	-	-	80,550.00
<u>Associated companies</u>				
Trade and other receivables				
Origin Eason Paint Co., Ltd.	1,055,270.67	2,354,700.72	1,055,270.67	2,354,700.72
Trade and other payables				
Origin Eason Paint Co., Ltd.	68,160.07	178,561.60	68,160.07	178,561.60
<u>Related companies</u>				
Trade and other receivables				
Miki (Thailand) Co., Ltd.	20,599.64	17,552.28	20,599.64	17,552.28

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 the years ended December 31, 2012 and 2011 as follows :-

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short - term employee benefits	35,898,596.62	28,428,463.28	35,269,981.12	26,795,081.00
Post - employment benefits	504,967.00	474,614.00	379,328.00	354,587.00
Other long - term benefits	8,902.00	8,025.00	6,105.00	5,392.00
Total	36,412,465.62	28,911,102.28	35,655,414.12	27,155,060.00

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012 AND 2011

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of :-

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash on hand	289,249.15	240,949.47	177,944.85	138,996.95
Cheque in hand	4,975,228.33	-	4,975,228.33	-
Cash at banks - current account	34,028,166.81	45,192,178.43	34,039,221.33	45,069,836.14
Cash at banks - savings account	59,405,328.25	116,267,662.67	35,390,212.76	96,961,996.94
Total	<u>98,697,972.54</u>	<u>161,700,790.57</u>	<u>74,582,607.27</u>	<u>142,170,830.03</u>

7. INVESTMENTS

Investments consisted of :-

	Baht			
	Consolidated financial statements			
	2012		2011	
	At cost	Fair Value	At cost	Fair Value
<u>Current investments</u>				
Investments in securities held-for-trading				
Unit trust	500,000.00	503,947.57	-	-
	<u>500,000.00</u>	<u>503,947.57</u>	<u>-</u>	<u>-</u>
Investments in available-for-sale securities				
Unit trust	30,000,000.00	30,409,949.01	-	-
Investment in marketable equity	18,465,993.00	22,951,000.00	270,675.00	252,500.00
Total	<u>48,465,993.00</u>	<u>53,360,949.01</u>	<u>270,675.00</u>	<u>252,500.00</u>
	<u>48,965,993.00</u>	<u>53,864,896.58</u>	<u>270,675.00</u>	<u>252,500.00</u>
<u>Other long-term investments</u>				
Savings lottery				
Bank of Agriculture and Agricultural Cooperatives				
(Maturity interest 22.50 Baht per unit, Maturity on 20/07/2015)	5,000,000.00	5,000,000.00	-	-
Government Savings Bank				
(Maturity interest 3.50 Baht per unit, Maturity on 02/07/2015)	5,000,000.00	5,000,000.00	-	-
Total	<u>10,000,000.00</u>	<u>10,000,000.00</u>	<u>-</u>	<u>-</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

	Baht			
	Separate financial statements			
	2012		2011	
	At cost	Fair Value	At cost	Fair Value
<u>Current investments</u>				
Investments in available-for-sale securities				
Unit trust	30,000,000.00	30,409,949.01	-	-
Investment in marketable equity	18,465,993.00	22,951,000.00	270,675.00	252,500.00
Total	<u>48,465,993.00</u>	<u>53,360,949.01</u>	<u>270,675.00</u>	<u>252,500.00</u>
<u>Other long-term investments</u>				
Savings lottery				
Bank of Agriculture and Agricultural Cooperatives				
(Maturity interest 22.50 Baht per unit, Maturity on 20/07/2015)	5,000,000.00	5,000,000.00	-	-
Government Savings Bank				
(Maturity interest 3.50 Baht per unit, Maturity on 02/07/2015)	5,000,000.00	5,000,000.00	-	-
Total	<u>10,000,000.00</u>	<u>10,000,000.00</u>	<u>-</u>	<u>-</u>

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of:-

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade receivable are classified by aging				
Trade note receivables				
Not yet due	3,762,005.51	1,225,995.39	3,762,005.51	1,225,995.39
Trade receivables				
Not yet due	93,513,276.13	73,174,300.90	86,906,384.23	70,623,640.64
Overdue 0 day to 90 days	26,227,469.81	31,089,204.70	26,027,860.47	30,580,916.11
Overdue 91 days to 180 days	979,134.18	613,157.77	921,474.18	579,429.44
Overdue 181 days to 360 days	326,916.46	1,940.00	242,527.46	-
Overdue from 361 days onwards	365,950.03	415,140.03	363,950.03	398,950.03
Total	<u>125,174,752.12</u>	<u>106,519,738.79</u>	<u>118,224,201.88</u>	<u>103,408,931.61</u>
<u>Less allowance for doubtful accounts</u>	<u>(363,950.03)</u>	<u>(398,950.03)</u>	<u>(363,950.03)</u>	<u>(398,950.03)</u>
Trade receivables, net	<u>124,810,802.09</u>	<u>106,120,788.76</u>	<u>117,860,251.85</u>	<u>103,009,981.58</u>
Other receivables				
Accrued other income	7,732,713.34	5,142,193.56	7,796,089.72	5,141,893.56
Prepaid expenses	2,444,718.16	2,920,837.11	2,269,593.96	1,895,422.24
Deposit for land	12,842,856.11	-	12,842,856.11	-
Other receivables	4,545,554.12	3,206,508.01	2,620,579.65	3,541,717.62
Total	<u>27,565,841.73</u>	<u>11,269,538.68</u>	<u>25,529,119.44</u>	<u>10,579,033.42</u>
Total trade and other receivables, net	<u>152,376,643.82</u>	<u>117,390,327.44</u>	<u>143,389,371.29</u>	<u>113,589,015.00</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

9. INVENTORIES

Inventories consisted of:-

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Finished goods	15,614,524.91	13,970,157.85	11,823,464.06	10,270,178.93
Work in process	132,636.59	482,516.75	115,884.40	482,516.75
Raw materials	38,473,960.21	48,756,866.90	38,082,957.23	48,502,764.33
Supplies	2,181,293.14	2,219,812.21	868,492.77	925,105.88
Package	1,087,512.06	836,509.70	1,087,512.06	836,509.70
Total	57,489,926.91	66,265,863.41	51,978,310.52	61,017,075.59
<u>Less provision for declining in value</u>				
of inventories	(73,896.58)	(425,581.84)	(73,896.58)	(425,581.84)
Net	57,416,030.33	65,840,281.57	51,904,413.94	60,591,493.75

Movements of provision for declining in value of inventories for the years ended December 31, 2012 and 2011 as follows :-

	Baht	
	Consolidated / Separate financial statements	
	2012	2011
Beginning balance	425,581.84	455,682.94
Increase during the year	70,035.52	-
Decrease during the year	(421,720.78)	(30,101.10)
Ending balance	73,896.58	425,581.84

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

10. INVESTMENT IN ASSOCIATED COMPANY

Investment in associated company consisted of:-

	Number of share	Percentage of holding	Baht					
			Consolidated financial statements		Separate financial statements			
			At equity		At cost		Dividend	
			2012	2011	2012	2011	2012	2011
<u>Associated Company</u>								
Origin Eason Paint Co., Ltd.	120,000	40	79,045,673.65	62,666,088.67	35,784,300.00	35,784,300.00	12,000,000.00	12,000,000.00

Share of profit of Origin Eason Paint Co., Ltd. was included in the consolidated financial statements for the years ended December 31, 2012 and 2011 of Baht 28.38 million and Baht 17.21 million, respectively.

11. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as shown in separate financial statements are as follows: -

	Number of share		Percentage of holding		Baht	
					At cost	
	2012	2011	2012	2011	2012	2011
<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
Eason Urai Paint Co., Ltd.	2,790	2,480	62.00	62.00	90,323,809.80	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
<u>Less allowance for impairment</u>						
- N.O.F. (Thailand) Ltd.					(4,539,437.39)	(4,346,789.67)
- Bright Blue Water Corp. Ltd.					(10,500,000.00)	-
Investments in subsidiaries, net					<u>105,436,492.41</u>	<u>111,248,190.13</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, 2012 and 2011 of Baht 4.66 million and Baht 4.85 million, respectively and loss for the years ended December 31, 2012 and 2011 of Baht 0.19 million and Baht 1.66 million, respectively.

As at December 31, 2012 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.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

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

On July 9, 2012, Eason Urai Paint Co., Ltd. has increased USD 500,000 registered capital, comprising of 500 ordinary shares with par value of USD 1,000 per share and called for capital pay up 50%. The Company has invested in such company's issued and paid-up capital in amount of Baht 4.88 million, comprising of 310 common shares to be paid-up of USD 1,000 per share. As a result, the Company has the same shareholding portion in such company.

The financial statements of Eason Urai Paint Co., Ltd. was included in the consolidated statements consisting of total assets as at December 31, 2012 and 2011 of Baht 101.86 million and Baht 92.04 million, respectively and gain (loss) for the years ended December 31, 2012 and 2011 of Baht 2.69 million and Baht (3.51) million, respectively 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 consisting of total assets as at December 31, 2012 and 2011 of Baht 16.57 million and Baht 20.96 million, respectively and loss for the years ended December 31, 2012 and 2011 of Baht 7.09 million and Baht 7.13 million, respectively.

Due to the consecutive losses of operations by Bright Blue Water Corp. Ltd., the shareholders' equity has decreased. Therefore, the Company has recorded an allowance for impairment of investment in such company for the year ended December 31, 2012 in the amount of Baht 10.50 million.

12. LONG-TERM LOANS TO SUBSIDIARY

Long-term loans to subsidiary consisted of:-

	Baht	
	2012	2011
Loans, beginning balance	11,000,000.00	8,500,000.00
<u>Add</u> Increase during the year	2,100,000.00	2,500,000.00
<u>Less</u> Decrease during the year	-	-
Loans, ending balance	<u>13,100,000.00</u>	<u>11,000,000.00</u>

As at December 31, 2012 and 2011, the Company has long-term loans to subsidiary totalling Baht 13.10 million and 11.00 million, respectively and the term of loans is 6 years with the interest rate at year 1st - 2nd MLR - 1.50% per annum and 3rd - 6th MLR - 1.25% per annum, and the interest rate at year 1st - 6th MLR - 1.25% per annum and starting repayments on the 31th with interest every month until the loan is fully paid.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of:-

	Baht			
	Consolidated financial statements			
	Balance per book Dec. 31, 2011	Additions	Deductions	Balance per book Dec. 31, 2012
<u>At cost</u>				
Land	46,419,827.10	-	-	46,419,827.10
Building and building improvement	201,952,776.23	393,581.48	(247,600.00)	202,098,757.71
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	95,862,861.53	19,527,088.93	(11,534.05)	115,378,416.41
Lab equipment	20,068,678.87	522,035.65	-	20,590,714.52
Electric equipment	4,063,224.03	761,214.49	-	4,824,438.57
Water-purifier for leases	18,534,924.61	899,533.73	-	19,434,458.34
Office equipment	25,991,079.00	1,476,800.65	(1,788,913.64)	25,678,966.01
Office decoration	16,232,037.61	451,358.52	(195,211.60)	16,488,184.53
Vehicle	49,578,144.12	10,990,431.30	(9,562,651.15)	51,005,924.27
Machinery and equipment installation	6,812,949.62	10,668,077.94	(14,313,425.15)	3,167,602.41
Total	<u>506,428,378.29</u>	<u>45,690,122.69</u>	<u>(26,119,335.59)</u>	<u>525,999,165.39</u>
<u>Less accumulated depreciation</u>				
Building and building improvement	48,978,747.28	10,194,572.25	(212,421.16)	58,960,898.37
Building for lease	8,070,187.99	770,661.04	-	8,840,849.03
Machinery and equipment	73,657,849.12	8,140,746.29	(11,281.73)	81,787,313.68
Lab equipment	15,714,157.36	1,105,655.30	-	16,819,812.66
Electric equipment	2,865,596.04	676,033.87	-	3,541,629.91
Water-purifier for leases	8,070,449.86	3,657,087.39	-	11,727,537.25
Office equipment	19,347,128.20	2,450,713.07	(1,279,485.00)	20,518,356.27
Office decoration	13,903,891.31	1,634,395.59	(194,920.34)	15,343,366.56
Vehicle	31,669,997.66	1,947,299.51	(5,484,583.24)	28,132,713.93
Total	<u>222,278,004.82</u>	<u>30,577,164.31</u>	<u>(7,182,691.47)</u>	<u>245,672,477.66</u>
Currency translation changes of financial statements of foreign entity	(11,879,252.85)			(12,242,778.71)
Property, plant and equipment, net	<u>272,271,120.62</u>			<u>268,083,909.02</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

	Baht			
	Consolidated financial statements			
	Balance per book	Additions	Deductions	Balance per book
	Dec. 31, 2010			Dec. 31, 2011
<u>At cost</u>				
Land	46,419,827.10	-	-	46,419,827.10
Building and building improvement	199,037,621.07	2,934,563.16	(19,408.00)	201,952,776.23
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	81,959,958.22	16,035,882.69	(2,132,979.38)	95,862,861.53
Lab equipment	17,022,711.05	3,075,567.82	(29,600.00)	20,068,678.87
Electric equipment	3,881,892.30	181,331.73	-	4,063,224.03
Water-purifier for leases	17,992,676.39	1,568,848.22	(1,026,600.00)	18,534,924.61
Office equipment	24,418,078.17	2,536,115.83	(963,115.00)	25,991,079.00
Office decoration	16,132,446.11	161,800.70	(62,209.20)	16,232,037.61
Vehicle	46,495,302.27	4,120,979.21	(1,038,137.36)	49,578,144.12
Machinery and equipment installation	3,482,884.78	13,781,364.99	(10,451,300.15)	6,812,949.62
Total	<u>477,755,273.03</u>	<u>44,396,454.35</u>	<u>(15,723,349.09)</u>	<u>506,428,378.29</u>
<u>Less accumulated depreciation</u>				
Building and building improvement	38,821,956.16	10,172,200.15	(15,409.03)	48,978,747.28
Building for lease	7,031,457.96	1,038,730.03	-	8,070,187.99
Machinery and equipment	68,704,916.91	7,083,398.67	(2,130,466.46)	73,657,849.12
Lab equipment	14,148,360.69	1,595,395.67	(29,599.00)	15,714,157.36
Electric equipment	2,163,436.74	702,159.30	-	2,865,596.04
Water-purifier for leases	4,812,553.80	3,682,690.30	(424,794.24)	8,070,449.86
Office equipment	17,222,580.56	3,043,028.18	(918,480.54)	19,347,128.20
Office decoration	11,419,887.80	2,545,052.40	(61,048.89)	13,903,891.31
Vehicle	30,606,625.81	2,073,690.03	(1,010,318.18)	31,669,997.66
Total	<u>194,931,776.43</u>	<u>31,936,344.73</u>	<u>(4,590,116.34)</u>	<u>222,278,004.82</u>
Currency translation changes of financial statements of foreign entity	<u>(200,092.64)</u>			<u>(11,879,252.85)</u>
Property, plant and equipment, net	<u>282,623,403.96</u>			<u>272,271,120.62</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

	Baht			
	Separate financial statements			
	Balance per book	Additions	Deductions	Balance per book
	Dec. 31, 2011			Dec. 31, 2012
<u>At cost</u>				
Land	46,419,827.10	-	-	46,419,827.10
Building and building improvement	146,719,418.70	393,581.48	(247,600.00)	146,865,400.18
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	88,279,271.79	13,945,997.40	(11,534.05)	102,213,735.14
Lab equipment	17,353,807.04	497,289.56	-	17,851,096.60
Electric equipment	4,063,224.03	761,214.49	-	4,824,438.52
Office equipment	21,157,016.55	1,106,386.05	(773,662.59)	21,489,740.01
Office decoration	16,057,257.92	451,358.52	(193,511.60)	16,315,104.84
Vehicle	35,913,650.06	12,579,216.35	(7,422,651.15)	41,070,215.26
Machinery and equipment installation	6,762,949.62	10,561,027.94	(14,156,375.15)	3,167,602.41
Total	403,638,298.38	40,296,071.79	(22,805,334.54)	421,129,035.63
<u>Less accumulated depreciation</u>				
Building and building improvement	47,354,236.76	8,570,061.73	(212,421.16)	55,711,877.33
Building for lease	8,070,187.99	770,661.04	-	8,840,849.03
Machinery and equipment	72,979,099.17	7,063,950.27	(11,281.73)	80,031,767.71
Lab equipment	15,329,214.30	801,493.08	-	16,130,707.38
Electric equipment	2,865,596.04	676,033.87	-	3,541,629.91
Office equipment	17,206,918.05	1,702,444.62	(766,415.25)	18,142,947.42
Office decoration	13,737,823.77	1,627,138.09	(193,502.60)	15,171,459.26
Vehicle	20,993,809.89	1,656,852.07	(4,204,200.37)	18,446,461.59
Total	198,536,885.97	22,868,634.77	(5,387,821.11)	216,017,699.63
Property, plant and equipment, net	205,101,412.41			205,111,336.00

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

	Baht			
	Separate financial statements			
	Balance per book	Additions	Deductions	Balance per book
	Dec. 31, 2010			Dec. 31, 2011
<u>At cost</u>				
Land	46,419,827.10	-	-	46,419,827.10
Building and building improvement	143,804,263.54	2,934,563.16	(19,408.00)	146,719,418.70
Building for lease	20,911,875.57	-	-	20,911,875.57
Machinery and equipment	81,959,958.22	8,452,292.95	(2,132,979.38)	88,279,271.79
Lab equipment	16,729,026.84	654,380.20	(29,600.00)	17,353,807.04
Electric equipment	3,881,892.30	181,331.73	-	4,063,224.03
Office equipment	20,153,523.96	1,966,607.59	(963,115.00)	21,157,016.55
Office decoration	15,936,146.42	161,800.70	(40,689.20)	16,057,257.92
Vehicle	32,839,579.24	4,074,825.00	(1,000,754.18)	35,913,650.06
Machinery and equipment installation	3,482,884.78	13,731,364.99	(10,451,300.15)	6,762,949.62
Total	386,118,977.97	32,157,166.32	(14,637,845.91)	403,638,298.38
<u>Less accumulated depreciation</u>				
Building and building improvement	38,821,956.16	8,547,689.63	(15,409.03)	47,354,236.76
Building for lease	7,031,457.96	1,038,730.03	-	8,070,187.99
Machinery and equipment	68,704,916.91	6,404,648.72	(2,130,466.46)	72,979,099.17
Lab equipment	14,064,423.69	1,294,389.61	(29,599.00)	15,329,214.30
Electric equipment	2,163,436.74	702,159.30	-	2,865,596.04
Office equipment	15,950,691.28	2,174,707.31	(918,480.54)	17,206,918.05
Office decoration	11,241,140.76	2,536,218.90	(39,535.89)	13,737,823.77
Vehicle	21,066,620.99	927,941.08	(1,000,752.18)	20,993,809.89
Total	179,044,644.49	23,626,484.58	(4,134,243.10)	198,536,885.97
Property, plant and equipment, net	207,074,333.48			205,101,412.41

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, 2012 and 2011 of Baht 12.29 million and Baht 12.84 million, respectively. The term of the lease agreement is 3 years commencing from January 1, 2011 and the Company received the rent monthly of Baht 0.43 million.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

As at December 31, 2012 and 2011, the Company has vehicles purchased under hire-purchase agreements total book value of Baht 1.49 million and Baht 9.33 million, respectively.

As at December 31, 2012 and 2011, the fully depreciated plant and equipment that still in use were at cost of Baht 129.60 million and Baht 93.09 million, respectively for the consolidated financial statement and at cost of Baht 125.04 million and Baht 88.54 million, respectively for the separate financial statement.

As at December 31, 2012 and 2011, the Company have to comply with certain conditions of loan agreement under the credit line of Baht 100.00 million (see Note 18) that the Company shall not create negative pledge on its land and construction including the plant, head office and machinery.

14. INTANGIBLE ASSETS

Intangible assets consisted of :-

	Baht			
	Consolidated financial statements			
	Balance per book Dec. 31, 2011	Additions	Deductions	Balance per book Dec. 31, 2012
<u>At cost</u>				
Technical license	8,810,162.83	-	-	8,810,162.83
Computer software	9,937,550.00	219,500.00	-	10,157,050.00
Total	18,747,712.83	219,500.00	-	18,967,212.83
<u>Less accumulated amortization</u>				
Technical license	8,730,633.45	56,074.62	-	8,786,708.07
Computer software	3,403,847.52	1,122,029.90	-	4,525,877.42
Total	12,134,480.97	1,178,104.52	-	13,312,585.49
Intangible assets, net	6,613,231.86			5,654,627.34

	Baht			
	Consolidated financial statements			
	Balance per book Dec. 31, 2010	Additions	Deductions	Balance per book Dec. 31, 2011
<u>At cost</u>				
Technical license	8,810,162.83	-	-	8,810,162.83
Computer software	9,587,550.00	350,000.00	-	9,937,550.00
Computer software installation	192,500.00	157,500.00	(350,000.00)	-
Total	18,590,212.83	507,500.00	(350,000.00)	18,747,712.83
<u>Less accumulated amortization</u>				
Technical license	8,674,558.86	56,074.59	-	8,730,633.45
Computer software	2,339,459.11	1,064,388.41	-	3,403,847.52
Total	11,014,017.97	1,120,463.00	-	12,134,480.97
Intangible assets, net	7,576,194.86			6,613,231.86

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

	Baht			
	Separate financial statements			
	Balance per book Dec. 31, 2011	Additions	Deductions	Balance per book Dec. 31, 2012
<u>At cost</u>				
Technical license	8,810,162.83	-	-	8,810,162.83
Computer software	9,587,550.00	219,500.00	-	9,807,050.00
Total	18,397,712.83	219,500.00	-	18,617,212.83
<u>Less accumulated amortization</u>				
Technical license	8,730,633.45	56,074.62	-	8,786,708.07
Computer software	3,351,107.79	1,052,029.92	-	4,403,137.71
Total	12,081,741.24	1,108,104.54	-	13,189,845.78
Intangible assets, net	6,315,971.59			5,427,367.05

	Baht			
	Separate financial statements			
	Balance per book Dec. 31, 2010	Additions	Deductions	Balance per book Dec. 31, 2011
<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	8,674,558.86	56,074.59	-	8,730,633.45
Computer software	2,339,459.11	1,011,648.68	-	3,351,107.79
Total	11,014,017.97	1,067,723.27	-	12,081,741.24
Intangible assets, net	7,383,694.86			6,315,971.59

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2012 AND 2011

15. LEASEHOLD RIGHT

Leasehold right consisted of :-

	Baht			
	Consolidated financial statements			
	Balance per book Dec. 31, 2011	Additions	Deductions	Balance per book Dec. 31, 2012
<u>At cost</u>				
Leasehold right - land	27,990,331.00	-	-	27,990,331.00
<u>Less</u> accumulated amortization	3,285,249.92	788,460.00	-	4,073,709.92
	<u>24,705,081.08</u>	<u>788,460.00</u>	<u>-</u>	<u>23,916,621.08</u>
Currency translation changes of financial statements of foreign entity	(6,567,580.19)			(6,650,674.11)
Leasehold right, net	<u>18,137,500.89</u>			<u>17,265,946.97</u>

	Baht			
	Consolidated financial statements			
	Balance per book Dec. 31, 2010	Additions	Deductions	Balance per book Dec. 31, 2011
<u>At cost</u>				
Leasehold right - land	27,990,331.00	-	-	27,990,331.00
<u>Less</u> accumulated amortization	2,496,789.96	788,459.96	-	3,285,249.92
	<u>25,493,541.04</u>	<u>788,459.96</u>	<u>-</u>	<u>24,705,081.08</u>
Currency translation changes of financial statements of foreign entity	(5,862,222.60)			(6,567,580.19)
Leasehold right, net	<u>19,631,318.44</u>			<u>18,137,500.89</u>

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

16. TRADE AND OTHER PAYABLES

Trade and other payables consisted of :-

	Baht			
	Consolidated financial statements		Separate financial statement	
	2012	2011	2012	2011
Trade payables	76,115,191.20	113,462,922.78	75,754,838.51	113,035,886.71
Other payables				
Revenue received in advance	1,542,231.43	1,285,519.12	-	-
Payable for purchase of fixed assets	9,146,952.69	9,716,178.34	-	-
Accrued expenses	5,809,368.31	3,685,356.08	4,504,955.37	3,974,236.66
Other	424,895.90	463,852.80	320,379.94	383,119.76
Total trade and other payables	<u>93,038,639.53</u>	<u>128,613,829.12</u>	<u>80,580,173.82</u>	<u>117,393,243.13</u>

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

As at December 31, 2012, the Company has total credit facilities Baht 335.00 million with four local commercial banks consisting of bank overdrafts of Baht 60.00 million with interest at MOR per annum, promissory notes for credit lines of Baht 100.00 million with interest at MLR per annum, Letter of Guarantee Baht 5.00 million, Letter of Credit and Trust Receipt of Baht 110.00 million and Forward Contract Baht 60.00 million and USD 1.50 million, which these loans are no guarantee. And not yet withdrawal the such loans.

As at December 31, 2011, the Company has total credit facilities Baht 230.00 million with three local commercial banks consisting of bank overdrafts of Baht 60.00 million and Baht 55.00 million with interest at MOR per annum, promissory notes for credit lines of Baht 100.00 million with interest at MLR per annum, Letter of Guarantee Baht 5.00 million, Letter of Credit and Trust Receipt of Baht 60.00 million and Forward Contract Baht 10.00 million and USD 1.50 million, which these loans are no guarantee. And not yet withdrawal the such loans.

18. LONG-TERM LOANS FROM FINANCIAL INSTITUTION

Long - term loans from financial institution consisted of :

	Baht	
	Consolidated/Separate financial statements	
	2012	2011
Long-term loans from financial institution	-	7,536,000.00
<u>Less</u> current portion due within one year	-	<u>(7,536,000.00)</u>
Net	<u>-</u>	<u>-</u>

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)**DECEMBER 31, 2012 AND 2011**

As at December 31, 2011, the Company has a long-term loans amounted to Baht 7.54 million as part of investment in subsidiary, to finance the construction of factory building and purchase machinery in Vietnam with a local commercial bank under the credit line of Baht 100.00 million, at interest rate MLR-2.00% per annum for the first year, MLR-1.75% per annum for the second and third year and MLR-1.50% per annum from the fourth year onwards. The repayment of Baht 1.9 million per month of principal and interest, in 66 installments, shall be completed by the 84th month upon receipt of the first loan (grace period 18 months) and pay interest monthly.

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

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

During the year 2012, the Company has paid fully amount of above loans.

19. LIABILITIES UNDER HIRE-PURCHASE AGREEMENTS

Liabilities under hire-purchase agreements consisted of:

	Baht					
	Consolidated /Separate financial statements					
	Payment due within 1 year		Payment due over 1 year to 5 year		Total	
	2012	2011	2012	2011	2012	2011
Liabilities under hire-purchase agreements	362,640.00	1,544,111.00	241,760.00	604,400.00	604,400.00	2,148,511.00
<u>Less deferred interest</u>	<u>(20,929.22)</u>	<u>(56,271.45)</u>	<u>(4,416.28)</u>	<u>(25,345.48)</u>	<u>(25,345.50)</u>	<u>(81,616.93)</u>
Liabilities under hire-purchase agreements, net	<u>341,710.78</u>	<u>1,487,839.55</u>	<u>237,343.72</u>	<u>579,054.52</u>	<u>579,054.50</u>	<u>2,066,894.07</u>

As at December 31, 2012 and 2011, the Company has 1 hire-purchase agreement for with a local commercial bank in the amount of Baht 1.09 million and 6 hire-purchase agreements for vehicle with two local commercial banks and Baht 6.94 million (Included VAT), respectively with a term of 24 - 36 months, and repayable monthly at Baht 0.03 million and Baht 0.26 million (Included VAT), respectively.

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

20. EMPLOYEE BENEFIT OBLIGATIONS

Movement of the employee benefit obligations account for the years ended December 31, 2012 and 2011

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligations as at January 1,	13,576,166.94	12,210,870.00	13,045,475.94	11,922,836.00
Benefits paid by the plan	(250,000.00)	(265,000.00)	(250,000.00)	(265,000.00)
Current service costs and interest	1,755,261.09	1,630,296.94	1,491,320.17	1,387,639.94
Defined benefit obligations as at December 31,	<u>15,081,428.03</u>	<u>13,576,166.94</u>	<u>14,286,796.11</u>	<u>13,045,475.94</u>

Expense recognized in the statements of income

For the years ended December 31, 2012 and 2011

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service costs				
Cost of sales and service	231,675.10	217,838.00	169,583.14	161,205.00
Administrative expenses	448,731.58	429,353.27	397,608.62	378,087.27
Management benefit expenses	513,869.00	482,639.00	385,433.00	359,979.00
	<u>1,194,275.68</u>	<u>1,129,830.27</u>	<u>952,624.76</u>	<u>899,271.27</u>
Interest on obligation	560,985.41	500,466.67	538,695.41	488,368.67
Total	<u>1,755,261.09</u>	<u>1,630,296.94</u>	<u>1,491,320.17</u>	<u>1,387,639.94</u>

Principal actuarial assumptions at the reporting date

For the years ended December 31, 2012 and 2011

	Percentage
	Consolidated /Separate financial statements
Discount rate	4.20
Salary increase rate	3.00 - 10.00
Employee turnover rate	8.00 - 18.00
Mortality rate	0.10 - 1.48

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

21. 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 statements of financial position as at December 31, 2012 and 2011 debt-to-equity ratio were follows :-

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Debt-to-equity ratio	0.16 : 1	0.29 : 1	0.18 : 1	0.27 : 1

22. SHARE CAPITAL

Movement of share capital account for the years ended December 31, 2012 and 2011 as follow:-

	Consolidated/ Separate financial statements			
	2012		2011	
	Shares	Amount Baht	Shares	Amount Baht
Registered share capital - ordinary shares				
As at January 1,	307,000,000	307,000,000.00	307,000,000	307,000,000.00
Decrease	(20,182,600)	(20,182,600.00)	-	-
As at December 31,	<u>286,817,400</u>	<u>286,817,400.00</u>	<u>307,000,000</u>	<u>307,000,000.00</u>
Share capital issued and paid-up-ordinary shares				
As at January 1,	306,076,629	306,076,629.00	225,004,047	225,004,047.00
Increase	-	-	81,072,582	81,072,582.00
Decrease	(20,182,600)	(20,182,600.00)	-	-
As at December 31,	<u>285,894,029</u>	<u>285,894,029.00</u>	<u>306,076,629</u>	<u>306,076,629.00</u>
Premium on share capital				
As at January 1,	-	111,416,500.00	-	111,416,500.00
Increase	-	-	-	-
Decrease	-	(19,396,059.43)	-	(19,396,059.43)
As at December 31,	<u>-</u>	<u>92,020,440.57</u>	<u>-</u>	<u>92,020,440.57</u>

During the year 2011, 4,640,400 warrants were exercised to purchase 4,640,400 new ordinary shares at Baht 1 each, in the amount of Baht 4,640,400.00 the Company has registered as paid-up shares capital with the Ministry of Commerce on January 10, 2011. And on April 26, 2011, 76,432,182 warrants were the last exercised to purchase 76,432,182 new ordinary shares at Baht 1 each, in the amount of Baht 76,432,182.00 which the Company registered as paid - up shares capital with the Ministry of Commerce on June 23, 2011 (Year 2011 total of increase share capital 81,072,582 ordinary shares, in the amount of Baht 81,072,582.00).

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011**

On February 27, 2012, the meeting of the Board of Directors of the Company No. 1/2555 passed a resolution to decrease its paid-up share capital by writing off the 20,182,600 treasury shares at the par value of Baht 1 per share, that could not be sold within the resale period. Additionally, the Company does not have any necessary to use the fund from selling the repurchased shares. The result of this decreased its capital original 306,076,629 shares to new capital 285,894,029 shares, and on March 5, 2012, the Company registered the decrease in its share capital with the Ministry of Commerce.

23. 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 3 years. As at December 31, 2011, 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 the Board of Directors Meeting No 3/2011 on August 15, 2011, it has the resolution to sell the treasury shares totalling 20,182,600 shares. The first date of the sale of the treasury shares is on August 30, 2011 and the ending dates of the sale is on February 27, 2012, totalling 6 months and reduce the capital in the case that the treasury shares cannot be sold out. On March 5, 2012, the Company registered a decrease in its share capital by 20,182,600 shares with the Ministry of Commerce, because the Company was unable to sell all the treasury shares within the specified period.

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, 2011, the Company has already appropriated the full required amount of retained earnings to a reserve for the treasury shares. The first quarterly in 2012, the Company reversed all the appropriated retained earnings for treasury shares after decreasing paid-up share capital by writing off the treasury shares as stated above.

24. LEGAL RESERVE

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

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

25. DIVIDEND PAYMENT

For the year 2012

At the ordinary shareholders' meeting of the company for the year 2012 held on April 3, 2012, the shareholders unanimously approved to pay dividend from operating results of 2011 for the shareholders in the registered book as at March 13, 2011 in the amount of Baht 42.88 million, appropriated by 285,890,029 shares of Baht 0.15 each.

For the year 2011

At the ordinary shareholders' meeting of the company for the year 2011 held on March 30, 2011, the shareholders unanimously approved to pay dividend from operating results of 2010 for the shareholders in the registered book as at March 10, 2011 in the amount of Baht 31.42 million, appropriated by 209,461,847 shares of Baht 0.15 each.

26. INCOME TAX

Corporate income tax for the year 2011 is calculated by multiplying from tax profits by the rate of 30% of net profits. Corporate income tax is calculated by multiplying earnings represents net profit before income tax for the period, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

According to the Royal Decree 530 (B.E. 2554) dated December 14, 2011 issued under the Revenue Code, regarding the reduction of income tax rates, corporate income tax for the year 2012 is calculated by multiplying from tax profits by the rate of 23% of net profits, and for the year 2013, onwards by the rate of 20% of net profits.

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

27. EARNINGS PER SHARE

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

For the years ended December 31, 2012 and 2011

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Profit for the year (Baht)				
Profit attributable to equity holders of the parent	111,111,694.05	51,020,050.70	87,063,767.07	52,100,610.28
Weighted average number of ordinary shares (shares)	285,894,029	261,812,657	285,894,029	261,812,657
Basic earnings per share (Baht per share)				
Profit attributable to equity holders of the parent	0.3886	0.1949	0.3045	0.1990

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011****28. 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. Since June 1, 2011 onwards, the Company had transferred to the TISCO 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, 2012 and 2011 amounted to Baht 2.14 million and Baht 2.06 million, respectively.

The Company's contributions for the years ended December 31, 2012 and 2011 amounted to Baht 2.14 million and Baht 2.01 million, respectively.

Since March 1, 2011, a subsidiary had terminated provident fund, contributions and benefits project of the employer's had been repaid to the employees in the full amount.

29. EXPENSES BY NATURE

Expenses by nature has significant transactions for the years ended December 31, 2012 and 2011 are as following :-

	Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Raw material and consumable used	352,277,516.55	458,862,029.46	347,569,547.56	458,373,079.67
Change in inventories of finished goods and work in process	(1,307,148.88)	311,572.19	(1,186,652.78)	(640,365.35)
Employee benefit cost	112,893,424.28	101,716,621.49	102,575,516.04	91,296,808.28
Depreciation and amortization	32,543,728.83	33,845,267.69	23,976,739.31	24,694,207.85

30. 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.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011**

Business activities are classified by product segments for the years ended December 31, 2012 and 2011 are as follows: -

	Consolidated financial statements (Thousand Baht)							
	Automotive		Other industrial paints		Other		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Sales and services	368,501	477,817	242,515	204,983	28,416	25,047	639,432	707,847
Cost of sales and expenses	(295,036)	(428,332)	(231,730)	(205,520)	(30,644)	(30,791)	(557,410)	(664,643)
Profit (loss) from operating	73,465	49,485	10,785	(537)	(2,228)	(5,744)	82,022	43,204
Other income							24,507	7,190
Share of profit of an associated company							28,380	17,214
Financial cost							(718)	(2,441)
Income tax expense							(24,892)	(18,333)
Profit for the year							109,299	46,834
<u>As at December 31,</u>								
Property, plant and equipment	74,809	66,507	9,455	8,548	9,371	15,293	93,635	90,348
Common property, plant and equipment							174,449	181,923
Intangible assets							5,655	6,613
Leasehold right							17,266	18,138

31. OTHER**31.1 Asset transfer agreement**

Under the terms of the Toll manufacturing agreement with BASF (Thai) Limited, BASF is to be responsible for the research and development and technical service as a result on November 13, 2012, the Company entered into an agreement to transfer in such applications to BASF (Thai) Limited, in the value of Baht 18,600,000.00, and effective from December 1, 2012 onwards.

31.2 The Company's investment plan

From the Company's investment plan in Indonesia, during 2012 the Company paid to advance for down payment to purchase land with building in Bekasi, Indonesia with the amount of Baht 12,842,856.11 (or IDR 3,679,857,500).

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011****32. COMMITMENTS AND CONTINGENT LIABILITIES**

32.1 Commitments of long-term rental and services agreements

As at December 31, 2012, 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	8.46
2 - 3 years	1.81

32.2 Commitments under the technical assistance agreements

As at December 31, 2012, 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.

32.3 Guarantees

As at December 31, 2012, the Company has guarantees as follow :-

1. Letters of guarantees in total of Baht 1.50 million, which were issued by bank for the usage of electricity by the company.
2. Letters of guarantee in total of Baht 1.00 million, which were issued by bank for purchasing goods with local company.

33. FINANCIAL INSTRUMENTS

33.1 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.

33.2 Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures, so the Company and its subsidiaries do not anticipate material losses from debt collection over than the amount that has been provided allowance for doubtful debt.

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO FINANCIAL STATEMENTS (CONT.)****DECEMBER 31, 2012 AND 2011**

33.3 Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relates primarily to its cash at banks, current investments long-term loans to related company and long-term loans from financial institutions. However, since most of financial assets and liabilities of the Company and its subsidiaries bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

As at December 31, 2012, the significant financial assets and financial liabilities classified by type of interest rates were as follows:

	Baht			
	Consolidated financial statement			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<u>Financial assets</u>				
Cash and cash equivalents	59,405,328.25	-	39,292,644.29	98,697,972.54
Current investment	-	-	53,864,896.58	53,864,896.58
Trade and other receivables	-	-	152,376,643.82	152,376,643.82
Other long-term investment	-	10,000,000.00	-	10,000,000.00
<u>Financial liabilities</u>				
Trade and other payables	-	-	93,038,639.53	93,038,639.53
Liabilities under hire-purchase agreement	-	341,710.78	-	341,710.78
Employee benefit obligations	-	15,081,428.03	-	15,081,428.03
	Baht			
	Separate statements			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<u>Financial assets</u>				
Cash and cash equivalents	35,390,212.76	-	39,192,394.51	74,582,607.27
Current investment	-	-	53,360,949.01	53,360,949.01
Trade and other receivables	-	-	143,389,371.29	143,389,371.29
Long-term loan to subsidiary	13,100,000.00	-	-	13,100,000.00
Other long - term investments	-	10,000,000.00	-	10,000,000.00
<u>Financial liabilities</u>				
Trade and other payables	-	-	80,580,173.82	80,580,173.82
Liabilities under hire-purchase agreement	-	237,343.72	-	237,343.72
Employee benefit obligations	-	14,286,796.11	-	14,286,796.11

EASON PAINT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2012 AND 2011

33.4 Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk on their investments in overseas subsidiary, the Company are currently not hedged by derivative financial instruments.

33.5 Liquidity Risk

The Company and its subsidiaries manage its liquidity risk by maintaining adequate level of cash and cash equivalents to support the Company's operations as well as securing short-term credit facilities from financial institutions for reserve as necessary and to reduce the impact of fluctuations in cash flow.

33.6 Fair value

The fair values of significant financial assets and financial liabilities do not differ from their carrying values.

34. RECLASSIFICATION

Certain accounts in 2011 the financial statements have been reclassified to conform to the current period classification, without any effect to the previously reported profit (loss) or shareholder's equity

35. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's director on February 22, 2013.

EASON PAINT

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