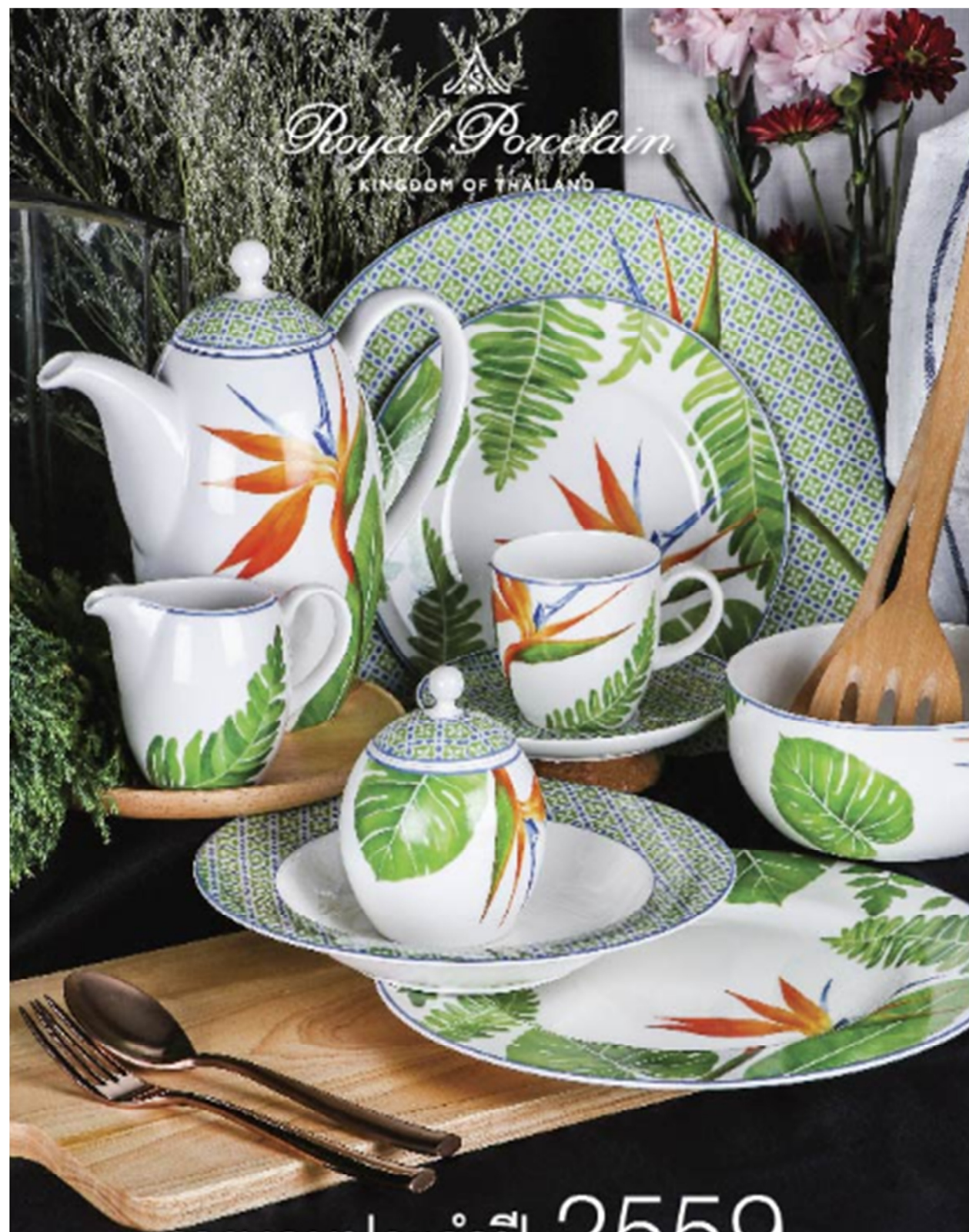



Royal Porcelain
KINGDOM OF THAILAND



รายงานประจำปี 2559

บริษัท รอยัล ปอร์ซเลน จำกัด (มหาชน)
ROYAL PORCELAIN ANNUAL REPORT 2016

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Message from the Board

To all shareholders,

In the past 2016, world economic crisis consistently contributed impact on demand of goods in the world market, especially economic status in European countries and political problems in USA. Some major customer groups adjusted their investment plans and delayed business expansion. These situations resulted in a decrease in the Company's export value. Domestic market was also affected from the economic volatility. Tourism sector also contracted, leading to a decrease in domestic sales volume. However, the Company made various adjustments to cope with the delayed economies i.e. labor restructuring appropriate for market price competition; new product development e.g. Unleaded Find Chine in order to increase its marketing channel. In 2016, though the Company's sales value decreased, but the Company can turn around its business at certain level, resulting in the improved performance. Total sales value was Baht 1,508 million, an 11% decrease from the previous year. The Company's major revenue derived from export. Net profit was Baht 8 million, an increase from the previous year which had a loss of Baht 99 million. Such success was derived from the unity of the management, its employees and every department concerned.

The Board of Directors has established governing policies that aim to increase administrative and marketing capacities despite the above circumstances, and, to increase sales while lowering production cost to ensure better performance. We are also looking to see how we can further develop our business for even greater efficiency in the future.

Lastly, on behalf of the Board of Directors, I would like to thank the shareholders for your unwavering support. Please be assured that the Board of Directors will continue to govern and fortify our operation in order to achieve the desired goals and maintain always our market-leading status.

The Board

Board of Directors

Mr. Chokchai	Lertiendumrong	Managing Director and Chief of Executive Officer
Mr. Teerapong	Ninvoraskul	Director
Mr. Kamolaphat	Teepsuwan	Director
Mr. Ruangchai	Lertiendumrong	Director
Miss Sunee	Lertiendumrong	Director

Risk Management

Mr. Chokchai	Lertiendumrong	Chairman
Miss Soontaree	Suttawassunthon	Member
Mr. Chatchai	Kramolngam	Member
Mr. Surachai	Kallayanamitra	Member
Mr. Narong	Apichatanakul	Member and Secretary

Executive Committee

Mr. Chokchai	Lertiendumrong	Managing Director and Chief Executive Officer
Miss Soontaree	Suttawassunthon	Chief Financial Officer
Mr. Surachai	Kallayanamitra	Vice President for Manufacturing
Mr. Chatchai	Kramolngam	Vice President for Human Resources and Administration
Mr. Narong	Apichatanakul	Vice President for Information Technology

Company's General Information

Royal Porcelain Public Company Limited

Registration No.	: 0107543000074
Head Office	: 9 th Floor Mahatun Plaza Building 888/90-92 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330
Telephone	: (662) 253-6823-38, (662) 254-4088-92
Telefax	: (662) 253-6763, (662) 254-4093-4
E-mail	: info@royalporcelain.co.th
Factory	: 36 and 39 Moo 1 Sudbantad Road, Tumbon Tandiew, Kaengko District, Saraburi 18110
Telephone	: (6636) 251-680-5, (6636) 244-930-3
Telefax	: (6636)251-686, (6636)251-942
Type of Business	: Manufacturer and distributor of ceramic tableware in Bone China, Porcelain, Ultra Strong, Maxadura and Unleaded Bone China.
Registered Capital	: Total Share capital is 600,000,000 Baht divided into 120,000,000 shares at 5 Baht per value.
Paid-up shares	: Total paid-up shares are 93,586,000 shares at 5 Baht per value, the company received cash contribution of 467,930,000 Baht.
Auditor	: Baker Tilly Audit and Advisory Services (Thailand) Ltd. Level 21/1 Sathorn City Tower, 175 South Sathorn Road Sathorn, Bangkok, Thailand 10120

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Royal Porcelain Public Company Limited

Opinion

I have audited the financial statements of Royal Porcelain Public Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to management.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



(Mr. Apichart Sayasit)

Certified Public Accountant, Registration No. 4229

Baker Tilly Audit and Advisory Services (Thailand) Ltd.

Bangkok

March 13, 2017

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

ASSETS

		In Baht	
	Notes	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	3	47,156,115	42,142,448
Trade and other account receivables - net	4	125,977,888	161,358,051
Inventories - net	5, 9	414,307,111	501,713,318
Other current assets - net	6	9,885,520	23,349,327
Total Current Assets		597,326,634	728,563,144
NON-CURRENT ASSETS			
Property, plant and equipment - net	7, 9, 11, 12, 22	323,600,449	360,350,326
Intangible assets - net	8	5,619,473	5,600,001
Withholding income tax deducted at sources		624,987	414,397
Other non-current assets		5,787,724	5,475,424
Total Non-Current Assets		335,632,633	371,840,148
TOTAL ASSETS		932,959,267	1,100,403,292

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

LIABILITIES AND EQUITY

		In Baht	
	Notes	2016	2015
CURRENT LIABILITIES			
Short-term loans from financial institutions	5, 7, 9	96,464,554	100,225,293
Trade and other account payables	10	135,418,064	163,336,630
Current portion of long-term loans from financial institution	7, 11	75,603,599	258,003,289
Current portion of liabilities under finance lease agreements	7, 12	1,550,059	1,151,332
Advances received from customers		8,406,799	12,231,117
Other current liabilities		3,660,307	4,379,370
Total Current Liabilities		321,103,382	539,327,031
NON-CURRENT LIABILITIES			
Long-term loans from financial institution - net	7, 11	82,836,446	-
Liabilities under finance lease agreements - net	7, 12	1,704,956	1,241,485
Provision for employee retirement benefit	13	107,780,073	92,593,012
Provision for loss on litigation claims	22	73,364,139	121,283,363
Total Non-Current Liabilities		265,685,614	215,117,860
Total Liabilities		586,788,996	754,444,891
EQUITY			
Share capital			
- Authorized share capital, common share			
120,000,000 shares at Baht 5 par value		600,000,000	600,000,000
- Issued and paid-up share capital, common share			
93,586,000 shares at Baht 5 per share		467,930,000	467,930,000
Premium on share capital	14	89,674,620	89,674,620
Retained earnings (deficit)			
- Legal reserve	15	60,000,000	60,000,000
- General reserve	15	31,500,000	31,500,000
- Deficit		(302,934,349)	(303,146,219)
Equity - Net		346,170,271	345,958,401
TOTAL LIABILITIES AND EQUITY		932,959,267	1,100,403,292

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

		In Baht	
	Notes	2016	2015
REVENUES			
Net sales		1,507,826,754	1,699,310,428
Reversal of provision for loss on litigation claims	22	52,638,332	-
Gain on foreign exchange - net		9,086,385	-
Other income		6,835,574	14,432,747
Total Revenues		1,576,387,045	1,713,743,175
EXPENSES			
Cost of sales		1,340,698,114	1,458,973,287
Selling expenses		106,566,180	107,098,755
Administrative expenses	17	105,551,603	100,017,212
Provision for loss on litigation claims	22	4,719,108	121,173,085
Loss on foreign exchange - net		-	16,352,528
Total Expenses	16	1,557,535,005	1,803,614,867
Profit (Loss) before Finance Costs		18,852,040	(89,871,692)
Finance Costs		(10,683,347)	(9,118,182)
PROFIT (LOSS) FOR THE YEAR		8,168,693	(98,989,874)
Other comprehensive loss:			
Item that will not be reclassified subsequently to profit or loss :			
Actuarial losses		(7,956,823)	-
Other comprehensive loss for the year		(7,956,823)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		211,870	(98,989,874)
Basic Earnings (Loss) per Share		0.09	(1.06)
Weighted Average Number of Shares (In Shares)		93,586,000	93,586,000

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	In Baht					
	Issued and paid-up share capital	Premium on share capital	Retained earnings (deficit)			
			Appropriated for Legal reserve	General reserve	Deficit	Net
Balance as at January 1, 2015	467,930,000	89,674,620	60,000,000	31,500,000	(204,156,345)	444,948,275
Total comprehensive loss for the year	-	-	-	-	(98,989,874)	(98,989,874)
Balance as at December 31, 2015	467,930,000	89,674,620	60,000,000	31,500,000	(303,146,219)	345,958,401
Total comprehensive income for the year	-	-	-	-	211,870	211,870
Balance as at December 31, 2016	<u>467,930,000</u>	<u>89,674,620</u>	<u>60,000,000</u>	<u>31,500,000</u>	<u>(302,934,349)</u>	<u>346,170,271</u>

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	In Baht	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (loss) for the year	8,168,693	(98,989,874)
Adjustments to reconcile profit (loss) for the year to net cash provided by operating activities:		
Allowance for (reversal of) doubtful accounts	3,176,039	(3,461,669)
Reversal of allowance for obsolete stocks	(1,373,460)	(2,002,117)
Write-off inventories	-	20,700
Depreciation	54,971,185	65,389,915
Amortization	3,229,030	2,570,414
Gain on sales of fixed assets	(9,547)	(429,999)
Write-off fixed assets	308,391	145,646
Unrealized (gain) loss on foreign exchange - net	(1,462,878)	18,840,759
Provision for employee retirement benefit	15,921,100	23,328,297
(Reversal of) provision for loss on litigation claims	(47,919,224)	121,173,085
Interest income	(247,720)	(386,354)
Interest expense	10,683,347	9,118,182
Decrease (Increase) in Operating Assets:		
Trade and other account receivables	32,551,645	4,874,988
Inventories	88,779,667	9,918,605
Other current assets	13,463,807	(381,479)
Other non-current assets	(312,300)	(361,180)
Increase (Decrease) in Operating Liabilities:		
Trade and other account payables	(27,904,260)	(40,083,837)
Other current liabilities	(4,218,721)	(27,984,212)
Payment for loss on litigation claims	-	(234,300)
Payment for employee retirement benefit	(8,690,862)	(10,157,591)
Income tax paid	(210,590)	(126,618)
Net Cash Provided by Operating Activities	138,903,342	70,781,361

Financial Statements

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2016

	In Baht	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(15,878,002)	(105,951,538)
Purchases of intangible assets	(3,248,502)	(3,902,591)
Proceeds from sales of fixed assets	12,850	430,000
Interest received	247,720	386,354
Net Cash Used in Investing Activities	(18,865,934)	(109,037,775)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term loans from financial institutions	161,719,755	133,208,993
Repayment of short-term loans from financial institutions	(165,480,494)	(82,983,700)
Increase in long-term loans from financial institution	-	60,000,000
Repayment of long-term loans from financial institution	(98,874,791)	(90,629,852)
Repayment of liabilities under finance lease agreements	(1,792,802)	(2,295,381)
Interest paid	(10,595,409)	(8,827,126)
Net Cash Provided by (Used in) Financing Activities	(115,023,741)	8,472,934
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,013,667	(29,783,480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,142,448	71,925,928
CASH AND CASH EQUIVALENTS AT END OF YEAR	47,156,115	42,142,448
Non-Cash Transaction		
- Purchases of fixed assets under financial lease agreements	2,655,000	1,853,000

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements

December 31, 2016

1. GENERAL

Royal Porcelain Public Company Limited (“The Company”) was incorporated as a limited company in Thailand on March 19, 1984 and was transformed to be the Public Company on October 25, 2000. The Company is engaged in the manufacture of ceramic tableware.

As at December 31, 2016 and 2015, the Company’s shareholders are summarized as follows:

Shareholders	Percentage of shareholding	
	2016	2015
Lertiendumrong Group	45.09	45.09
Government Pension Fund	15.00	15.00
Teepsuwan Group	10.66	10.66
Others	29.25	29.25
Total	100.00	100.00

The registered office address of the Company is located at 888/90-92, 9th Floor, Mahatun Plaza Building, Ploenchit Road, Bangkok, Thailand and its factory is located at 36 and 39 Moo 1, Sudbantad Road, Tumbol Tandieo, Amphur Kaengkoi, Saraburi Province, Thailand.

Basis of Financial Statement Preparation

The statutory financial statements are prepared in Thai Baht and in the Thai language in conformity with Thai Financial Reporting Standards. Accordingly, the accompanying financial statements are intended solely to present the financial position, financial performance and cash flows in accordance with Thai Financial Reporting Standards.

The accompanying financial statements are prepared under the historical cost convention except where otherwise disclosed in the accounting policies.

For convenience of the readers, an English translation of the financial statements has been prepared from the Thai language statutory financial statements, which are issued solely for domestic financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash on hand is kept for general use purpose within the Company. Cash equivalents are savings deposits and current accounts, highly liquid investments that are readily convertible to known amount of cash that are subject to an insignificant risk of change in value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at invoice amount net of allowance for doubtful accounts.

The Company provides an allowance for doubtful accounts 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 analysis of debt aging.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2016

Inventory Valuation

The Company values its inventories at the lower of cost and net realizable value, by using the following methods:

Finished goods, work-in-process, raw materials and store supplies	- at average cost method
Saggars	- at cost method and the Company amortizes its saggars to expense upon issuance on a straight-line basis over a period of 10 months.

Cost 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 work-in-process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property, Plant and Equipment

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciations are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Depreciation

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

	Years
Buildings and structures	20
Machinery and equipment	10
Furniture, fixtures and office equipment	3, 5
Vehicles	5

Intangible Assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the statement of comprehensive income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. Intangible assets with an indefinite useful life are not amortized but are systematically tested for impairment at each statement of financial position date. The estimated useful lives are as follows:

	Years
Software licenses	3, 5

Leasehold Rights

Leasehold rights are amortized on the straight-line basis over the lease period of 10 years.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2016****Impairment of Assets**

The Company reviews the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount (the higher of asset's selling price or value in use) of assets is below the carrying amount. The review is made for individual assets or for the cash-generating unit.

If the carrying value of an asset exceeds its recoverable amount, the Company recognizes the impairment losses by reducing the carrying value of the asset to its recoverable amount and recording the devaluation in statements of comprehensive income or reducing revaluation increment in assets in case that those assets were previously revalued. The reversal of impairment losses recognized in prior years is recorded as part of other income or as a revaluation increment in assets when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased. Such a reversal should not exceed the carrying amount that would have been determined (net of the associated depreciation or amortization).

Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A provision is reviewed at the statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provision for Employee Retirement Benefit

The Company's employee retirement benefit obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods by the projected unit credit method determined by a professionally qualified independent actuary. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs and gains or losses on the curtailment are recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of pension benefits when the curtailment or settlement occurs. Actuarial gains or losses are recognized immediately to other comprehensive income. The defined benefit obligations are measured at the present value of estimated future cash flows using a discount rate that is similar to the government bonds.

For the first-time adoption of TAS 19 "Employee Benefits", the Company elected to recognize the transitional liability, which exceeds the liability that would have been recognized at the same date under the previous accounting policy, as an expense on a straight-line basis over 5 years from the date of adoption (January 1, 2011).

Use of Judgements and Estimates

In order to prepare financial statements in conformity with Thai Financial Reporting Standards, the management needs to make estimates and set assumptions that affect income, expenditure, assets and liabilities in order to disclose information on the valuation of assets, liabilities and contingent liabilities. Actual outcomes may, therefore, differ from the estimates used.

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements consists of the following:

- Lease classification

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainties that have a significant risk of resulting in material adjustments to the amounts recognized in the financial statements consists of the following:

- Current and deferred taxation
- Utilization of tax losses
- Measurement of provision for employee retirement benefit
- Provisions and contingencies
- Valuation of financial instruments

Revenue Recognition

Revenue from the sale of goods is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the condition due, associated costs, the probable return of goods or the continuing management involvement with the goods.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Other income is recognized as income on an accrual basis.

Repair and Maintenance

Expenditures on repair and maintenance are charged to expense at the expenditures are incurred. Expenditures of a capital nature are added to the related plant and equipment.

Finance Lease

Leases in terms of which the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Equipment and vehicles acquired by way of finance leases are capitalized at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

Operating Lease

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

Finance Costs

Interest expenses and similar costs are charged to the statement of comprehensive income for the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognized in the statement of comprehensive income using the effective interest rate method.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

Foreign Currency Transactions

Foreign currency transactions throughout the year are recorded in the accounts at the rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies (except certain assets and liabilities in foreign currencies covered by forward exchange contracts) at the end of the years are translated into Baht at the prevailing rates at that date. Gains or losses from translations are credited or charged to the statement of comprehensive income. Assets and liabilities covered by forward exchange contracts are recorded at the forward contract rates. The difference between the current exchange rate (at the contract date) and the forward rate is deferred and amortized to the statement of comprehensive income by the straight-line method over the terms of the forward exchange contracts.

Income Taxes

The income tax charge is based on profit for the period and considers deferred taxation. Deferred income taxes reflect the net tax effects of temporary differences between the tax basis of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the statement of financial position date, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each statement of financial position date, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	In Thousand Baht	
	2016	2015
Loss carry forward	30,764	24,485
Provision for employee retirement benefit	21,556	18,519
Provision for loss on litigation claims	14,673	24,257
Allowance for doubtful accounts	1,362	1,126
Write-off fixed assets	455	499
Allowance for obsolete stocks	5,623	5,898
Liabilities under finance lease agreements	5	-
Total	74,438	74,784

The loss carry forward will expire in 2017 to 2021.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

Basic Earnings (Loss) per Share

Basic earnings (loss) per share is determined by dividing the profit (loss) for the year by the weighted average number of shares outstanding during the year.

3. CASH AND CASH EQUIVALENTS

	In Thousand Baht	
	2016	2015
Cash	181	195
Cash at banks - current accounts	148	259
Cash at banks - savings accounts	46,827	41,688
Total	47,156	42,142

As at December 31, 2016 and 2015, savings deposits bear interest at the rates ranging from 0.10% to 0.375% per annum.

4. TRADE AND OTHER ACCOUNT RECEIVABLES - Net

	In Thousand Baht	
	2016	2015
Trade account receivables - other companies	128,738	159,567
Other account receivables - other companies	3,335	4,710
Total trade and other account receivables	132,073	164,277
Less: Allowance for doubtful accounts	(6,095)	(2,919)
Trade and other account receivables - net	125,978	161,358
Doubtful debts expenses during the year (reversal of)	3,176	(3,461)

As at December 31, 2016 and 2015, the aging analysis of trade account receivables were detailed as follows:

	In Thousand Baht	
	2016	2015
• Within credit-term	109,318	111,606
• Periods over credit-term		
- Overdue 1 day to 30 days	14,745	34,446
- Overdue over 30 days to 90 days	3,567	13,515
- Overdue over 90 days to 180 days	1,108	-
Total	128,738	159,567
Less: Allowance for doubtful accounts	(2,779)	(2,919)
Net	125,959	156,648

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

5. INVENTORIES - Net

	In Thousand Baht	
	2016	2015
Finished goods	99,169	93,381
Work-in-process	247,471	320,413
Raw materials	56,174	63,844
Store supplies	23,855	23,481
Saggars	7,134	13,088
Raw materials in transit	8,621	16,997
Total	442,424	531,204
Less: Allowance for obsolete stocks	(28,117)	(29,491)
Net	414,307	501,713
Reversal of write-down inventories during the year	(1,374)	(2,002)

6. OTHER CURRENT ASSETS - Net

	In Thousand Baht	
	2016	2015
Value added tax receivable	4,637	17,463
Prepaid expenses	4,206	3,063
Others - net	1,043	2,823
Total	9,886	23,349

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

7. PROPERTY, PLANT AND EQUIPMENT - Net

	In Thousand Baht						
	Land	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installations	Total
Cost							
As at January 1, 2015	96,300	281,952	1,464,487	314,618	9,088	10,284	2,176,729
Additions	-	2,647	8,992	19,964	-	76,202	107,805
Disposals and write-off	-	(267)	(97,541)	(57,947)	(4)	-	(155,759)
Transfers in (out)	-	776	6,420	30	-	(7,226)	-
As at December 31, 2015	96,300	285,108	1,382,358	276,665	9,084	79,260	2,128,775
Additions	-	2,752	471	12,859	-	2,451	18,533
Disposals and write-off	-	(1,350)	(57,710)	(42,640)	(27)	-	(101,727)
Transfers in (out)	-	4,907	67,184	-	-	(72,091)	-
As at December 31, 2016	96,300	291,417	1,392,303	246,884	9,057	9,620	2,045,581
Accumulated Depreciation							
As at January 1, 2015	-	221,596	1,346,763	279,171	8,630	-	1,856,160
Depreciation charge for the year	-	7,006	42,495	15,584	305	-	65,390
Disposals and write-off	-	(261)	(96,780)	(57,623)	(4)	-	(154,668)
As at December 31, 2015	-	228,341	1,292,478	237,132	8,931	-	1,766,882
Depreciation charge for the year	-	7,303	32,102	15,415	151	-	54,971
Disposals and write-off	-	(1,304)	(56,994)	(42,485)	(27)	-	(100,810)
As at December 31, 2016	-	234,340	1,267,586	210,062	9,055	-	1,721,043
Allowance for impairment loss							
As at December 31, 2015	-	-	1,543	-	-	-	1,543
Write-off	-	-	(605)	-	-	-	(605)
As at December 31, 2016	-	-	938	-	-	-	938
Net Book Value							
Owned assets	96,300	56,767	88,337	37,072	4	79,260	357,740
Assets under finance lease	-	-	-	2,461	149	-	2,610
As at December 31, 2015	96,300	56,767	88,337	39,533	153	79,260	360,350
Owned assets	96,300	57,077	123,779	32,698	2	9,620	319,476
Assets under finance lease	-	-	-	4,124	-	-	4,124
As at December 31, 2016	96,300	57,077	123,779	36,822	2	9,620	323,600

The gross carrying amounts of the Company's certain plant and equipment totaling approximately Baht 1,418.6 million and Baht 1,425.7 million were fully depreciated as at December 31, 2016 and 2015, respectively, but these items are still in active use.

Certain land title deeds of the Company, which have cost as at December 31, 2016 and 2015 of Baht 25,356, are jointly owned by the Company and another company and the original land title deeds are kept by such company. In addition, certain land of the Company are subject to easement.

A portion of the Company's land, buildings and structures, machinery and equipment, which have net book value as at December 31, 2016 and 2015 of Baht 102.9 million and Baht 109.5 million, respectively, are mortgaged/pledged as collateral for credit facilities and long-term loans from the local financial institutions as discussed in Notes 9, 11 and 22.

Certain equipment and vehicles of the Company are under finance lease agreements as discussed in Note 12.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

8. INTANGIBLE ASSETS - Net

	In Thousand Baht
Cost	
As at January 1, 2015	61,821
Additions	3,903
As at December 31, 2015	65,724
Additions	3,248
Write-off	(6,902)
As at December 31, 2016	62,070
Accumulated Amortization	
As at January 1, 2015	57,553
Amortization charge for the year	2,571
As at December 31, 2015	60,124
Amortization charge for the year	3,229
Write-off	(6,902)
As at December 31, 2016	56,451
Net Book Value	
As at December 31, 2015	5,600
As at December 31, 2016	5,619

The gross carrying amounts of the Company's certain intangible assets totaling approximately Baht 50.8 million and Baht 55.2 million, respectively, were fully amortized as at December 31, 2016 and 2015, but these items are still in active use.

9. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	Interest Rate (% p.a.)		In Thousand Baht	
	2016	2015	2016	2015
Liabilities under trust receipts	2.97 - 3.00	3.02	21,465	20,225
Notes payable to banks	3.28 - 5.00	3.28 - 5.25	75,000	80,000
Total			96,465	100,225

As at December 31, 2016 and 2015, the Company has overdraft line amounting to Baht 41 million, short-term loan line and credit facilities totalling Baht 335 million and forward exchange contract line totalling Baht 130 million and U.S. Dollars 10.5 million with various local financial institutions. Such credit facilities are collateralized by mortgaging/pledging of the Company's land and structures, machinery and equipment as discussed in Note 7.

Under the terms of the trust receipt agreements, certain imported raw materials have been released to the Company in trust for the financial institution. The Company is accountable to the financial institution for the trusted raw materials or their sales proceeds.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

10. TRADE AND OTHER ACCOUNT PAYABLES

	In Thousand Baht	
	2016	2015
Trade account payables	96,819	113,784
Other account payables	38,599	49,553
Total	135,418	163,337

11. LONG-TERM LOANS FROM FINANCIAL INSTITUTION - Net

	Interest Rate (% per annum)		In Thousand Baht	
	2016	2015	2016	2015
Loans from a local financial				
- The first loan	LIBOR	LIBOR	88,880	149,168
- The second loan	LIBOR	LIBOR	9,751	49,094
- The third loan	THBFIX+2.15	THBFIX+2.15	60,000	60,000
Total			158,631	258,262
Less : Deferred loan arrangement fee			(191)	(259)
			158,440	258,003
Less: Portion due within one year			(75,604)	(258,003)
Net			82,836	-

The first loan: On June 29, 2011, the Company obtained long-term loan line of U.S. Dollars 11.5 million (or equivalent to Baht 350.8 million). The Company drew down the whole amount to settle with the long-term loan from another financial institution. This long-term loan is repayable in every 3 months for 28 equal installments, commencing from September 2011.

The second loan: On April 1, 2014, the Company obtained long-term loan line of U.S. Dollars 3.25 million (or equivalent to Baht 105.4 million). The Company drew down the whole amount. Such loan was used to restructure short-term debt for labor costs during October 2013 to January 2014 to be a long-term debt. This long-term loan is repayable in every 3 months for 12 equal installments, commencing from June 30, 2014 and maturing within 36 months from drawdown date.

The third loan: On November 10, 2015, the Company obtained long-term loan line of Baht 60.0 million. The Company drew down the whole amount. Such loan was used to purchase machinery. This long-term loan is repayable in every 3 months for 9 equal installments, commencing from October 2017 and maturing within 48 months from drawdown date.

These loans are secured by the mortgage of the Company's land and structures, machinery and equipment as discussed in Note 7. In addition, the Company has to maintain the significant conditions of loan agreements such as the proportion of shareholders and maintain the certain financial ratios, such as debt to equity ratio and debt service coverage ratio, etc.

As at December 31, 2015, the Company could not maintain certain financial ratios in accordance with the loan agreement, which resulted in the loan becoming payable on demand. Such loans were therefore classified as current liability in 2015. However, on February 8, 2016, the Company received the waiver letter for such non-compliance from the lender.

As at December 31, 2016, the Company could not maintain certain financial ratios in accordance with the loan agreement. However, on December 28, 2016, the Company received the waiver letter for such non-compliance from the lender. The classification of such loans as at December 31, 2016 is in accordance with Thai Financial Reporting Standards.

As at December 31, 2016, the outstanding balance on such long-term loans, of U.S. Dollars 2.7 million (or equivalent to Baht 98.6 million) and Baht 60 million and as at December 31, 2015, the outstanding balance on such long-term loans of U.S. Dollars 5.5 million (or equivalent to Baht 198.3 million) and Baht 60 million.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

12. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

The Company has entered into various finance lease agreements with several leasing companies covering certain equipment and vehicles as discussed in Note 7. The agreements have the term for certain periods expiring in 2020. The ownership of the assets under finance lease agreements will be transferred to the Company when all payments are made to the leasing companies, which are summarized as follows:

Year Ending December 31,	In Thousand Baht	
	2016	2015
2016	-	1,278
2017	1,732	893
2018	1,256	416
2019	307	-
2020	269	-
Total minimum lease payments	3,564	2,587
Less: deferred interest	(309)	(194)
Present value of net minimum lease payments	3,255	2,393
Less: portion due within one year - net deferred interest	(1,550)	(1,151)
Net	1,705	1,242

13. PROVISION FOR EMPLOYEE RETIREMENT BENEFIT

	In Thousand Baht	
	2016	2015
Provision for employee retirement benefit as at January 1,	92,593	79,422
Transitional liability recognized during the year	-	14,100
Current service costs	11,742	5,285
Interest costs	4,179	3,944
Benefits paid during the year	(8,691)	(10,158)
Actuarial losses	7,957	-
Provision for employee retirement benefit as at December 31,	107,780	92,593

Expenses recognized in the statements of comprehensive income for each of the years ended December 31, 2016 and 2015

	In Thousand Baht	
	2016	2015
In profit (loss) for the year :		
Current service costs	11,742	5,285
Interest costs	4,179	3,944
Transitional liability recognized during the year	-	14,100
In other comprehensive loss for the year :		
Actuarial losses	7,957	-
Total	23,878	23,329

Actuarial assumptions

	2016	2015
Discount rate	2.3% p.a.	4.1% p.a.
Future salary increase rate (depending on employee type)	4.0% p.a.	4.0% p.a.
Employee turnover rate	0% - 28.5% p.a.	0% - 25% p.a.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2016

14. PREMIUM ON SHARE CAPITAL

Premium on share capital represents share subscription monies received in excess of the par value of the shares issued. Premium on share capital is not available for dividend distribution.

15. LEGAL RESERVE AND GENERAL RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of registered capital. The statutory reserve is not available for dividend distribution.

As at December 31, 2016 and 2015, the Company had fully set aside for the legal reserve.

General reserve represents the amount the Company's shareholders approved to appropriate from retained earnings for future projects.

16. EXPENSES BY NATURE

Significant expenses by nature for each of the years ended December 31, 2016 and 2015 are as follows:

	In Thousand Baht	
	2016	2015
Raw materials and consumable used	473,790	587,190
Change in finished goods and work-in-process	67,153	(20,891)
Other production expenses	188,402	231,918
Employee benefit expenses	640,286	677,611
Depreciation and amortization	58,200	67,961
Rental and service expenses	17,470	17,122
Loss on foreign exchange - net	-	16,353
Provision for loss on litigation claims	4,719	121,173
Other expenses	107,515	105,178
Total expenses	1,557,535	1,803,615

17. MANAGEMENT BENEFIT EXPENSES

During the years ended December 31, 2016 and 2015, the Company paid salaries, bonus, meeting allowance and gratuities to their directors and managements totalling Baht 22.1 million and Baht 22.9 million, respectively, which are considered related party transactions.

18. REGISTERED PROVIDENT FUND

The Company has established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530 based on the approval from the Ministry of Finance on March 22, 1996. Under the plan, members and the Company contribute to the fund at 3% - 5% of the employees' basic salaries. The Company appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) issued under the Provident Fund Act B.E. 2530.

The Company's contribution for of the years 2016 and 2015, which were charged to the statements of comprehensive income, amounted to Baht 11.3 million and Baht 12.2 million, respectively.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2016

19. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statements of financial position include cash and cash equivalents, trade and other account receivables, short-term loans from financial institutions, trade and other account payables, advance received from customers, long-term loans from financial institution and liabilities under finance lease agreements. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 2.

Liquidity Risk

Liquidity risk arises from the problem in raising funds adequately and in time to meet commitments as indicated in the financial statements. Based on the assessment of the Company's current financial position and financial performance, the Company does not face liquidity risk.

Foreign Currency Risk

The Company's exposure to foreign currency risk arises mainly trading transactions and loans that are denominated in foreign currencies. The Company seeks to manage this risk by entering into forward exchange contracts, which generally will mature within one year, when it considers appropriate.

As at December 31, 2016 and 2015, the balances of financial assets and liabilities denominated in foreign currencies are as follows:

	Financial assets as at December 31,		Financial liabilities as at December 31,		Average exchange rate as at December 31,	
	2016 (Million)	2015 (Million)	2016 (Million)	2015 (Million)	2016 (Baht per foreign currency unit)	2015
Foreign currency						
U.S. Dollars	0.3	1.5	3.2	6.0	35.8307	36.0886
Euro	0.1	0.1	0.1	0.4	37.7577	39.4388
GBP	-	-	0.2	0.3	44.0356	53.5035

Forward exchange contracts outstanding balance as at December 31, 2016 and 2015 are as follows:

Foreign currency	Sold amount (million)		Forward exchange rate (Baht per foreign currency unit)	
	2016	2015	2016	2015
U.S. Dollars	-	0.5	-	34.6160 - 35.0050

Credit Risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore the Company does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, as stated in the statement of financial position.

Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates, which may have an impact to current and future operations of the Company. The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, short-term loans and long-term loans, which bear interest rate. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The management considers that the interest rate risk is minimal, hence, the Company has no hedging agreement to protect against such risk.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

Significant financial assets and liabilities as at December 31, 2016 and 2015, classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

2016 (In Thousand Baht)							
Fixed interest rates							Effective interest rate
	Within 1 year	1- 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	(% p.a.)
Financial assets							
Cash and cash equivalents	-	-	-	46,827	329	47,156	0.10 - 0.375
Trade and other account receivables – net	-	-	-	-	125,978	125,978	-
Total	-	-	-	46,827	126,307	173,134	
Financial liabilities							
Short-term loans from financial institutions	96,465	-	-	-	-	96,465	2.97 - 5.00
Trade and other account Payables	-	-	-	-	135,418	135,418	-
Long-term loans from financial institutions - net	-	-	-	158,440	-	158,440	3.1482 - 3.5368
Advance received from Customers	-	-	-	-	8,407	8,407	-
Liabilities under finance lease agreements	1,550	1,705	-	-	-	3,255	6.42 - 7.58
Total	98,015	1,705	-	158,440	143,825	401,985	
2015 (In Thousand Baht)							
Fixed interest rates							Effective interest rate
	Within 1 year	1- 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	(% p.a.)
Financial assets							
Cash and cash equivalents	-	-	-	41,688	454	42,142	0.10 - 0.375
Trade and other account receivables - net	-	-	-	-	161,358	161,358	-
Total	-	-	-	41,688	161,812	203,500	
Financial liabilities							
Short-term loans from financial institutions	100,225	-	-	-	-	100,225	3.02 - 5.25
Trade and other account payables	-	-	-	-	163,337	163,337	-
Current portion of long-term loans from financial institutions - net	-	-	-	258,003	-	258,003	2.753 - 3.601
Advance received from customers	-	-	-	-	12,231	12,231	-
Liabilities under finance lease agreements	1,151	1,242	-	-	-	2,393	6.8 - 9.6
Total	101,376	1,242	-	258,003	175,568	536,189	

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2016

Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

Since the majority of the Company's financial assets and liabilities are short-term in nature and loans bear interest of the rates approximate the market rates, their fair values are not expected to be materially different from the amounts present in the statement of financial position.

20. OPERATING SEGMENTS

The business of the Company is the manufacture of ceramic tableware for both the domestic and export markets. For each of the years ended December 31, 2016 and 2015, export sales represented approximately 77% and 78% of total sales, respectively. The Company's operations involve a single industry segment and are carried out from a single geographic area in Thailand. Accordingly, revenues, earnings and assets as reflected in these financial statements pertain to the industry segment and geographic area mentioned above.

21. LONG-TERM LEASE AGREEMENTS

The Company has various operating leases covering its office premises and other service agreements. The totals of future minimum lease payments under non-cancellable operating leases for each period are as follows:

	In Million Baht	
	2016	2015
Not later than 1 year	18.9	18.3
Later than 1 year and not later than 5 years	29.3	2.7
Later than 5 years	-	-
Total	48.2	21.0

22. OTHERS

- a) As at December 31, 2016 and 2015, there were outstanding bank guarantees issued by various local financial institutions on behalf of the Company in respect of certain performance bonds as required in the normal course of business, which are collateralized by the Company's land and structures, machinery and equipments as discussed in Note 7. The details are as follows;

	In Million Baht	
	2016	2015
Guarantee for electricity use	0.5	0.5
Guarantee for payment to suppliers	6.4	7.7
Total	6.9	8.2

- b) The Company had commitments under purchase orders of fixed assets and service agreements totalling Baht 4.5 million and Baht 5.9 million as at December 31, 2016 and 2015, respectively.
- c) As at December 31, 2016 and 2015, the Company was sued for the damages from the breach of employee agreements of 3 litigation claims and 4 litigation claims, respectively. The Court of First Instance sentenced that the Company has to compensate totalling Baht 73.4 million and Baht 121.3 million, respectively. The Company has recorded a provision for loss on these litigation claims in the accounts in full. These cases are being determined by the Supreme Court. However, the ultimate outcome of these cases cannot presently be determined.

ROYAL PORCELAIN PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2016

23. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximize shareholder value. As at December 31, 2016, the Company had a debt to equity ratio of 1.7 to 1 (2015: 2.2 to 1).

No changes were made in the Company's objectives, policies or processes during the years ended December 31, 2016 and 2015.

24. THAI FINANCIAL REPORTING STANDARDS NOT YET ADOPTED

The Company has not adopted revised Thai Financial Reporting Standards (TFRS) that have been issued but are not yet effective at the reporting date as follows:

TFRS	Topic	Effective date
TFRS 2 (revised 2016)	Share-based Payment	2017
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations	2017
TFRS 8 (revised 2016)	Operating Segments	2017
TFRS 13 (revised 2016)	Fair Value Measurement	2017
TAS 1 (revised 2016)	Presentation of Financial Statements	2017
TAS 2 (revised 2016)	Inventories	2017
TAS 7 (revised 2016)	Statement of Cash Flows	2017
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors	2017
TAS 10 (revised 2016)	Events after the Reporting Period	2017
TAS 12 (revised 2016)	Income Taxes	2017
TAS 16 (revised 2016)	Property, Plant and Equipment	2017
TAS 17 (revised 2016)	Leases	2017
TAS 18 (revised 2016)	Revenue	2017
TAS 19 (revised 2015)	Employee Benefits	2017
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates	2017
TAS 23 (revised 2016)	Borrowing Costs	2017
TAS 24 (revised 2016)	Related Party Disclosures	2017
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans	2017
TAS 33 (revised 2016)	Earnings per Share	2017
TAS 34 (revised 2016)	Interim Financial Reporting	2017
TAS 36 (revised 2016)	Impairment of Assets	2017
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets	2017
TAS 38 (revised 2016)	Intangible Assets	2017
TAS 40 (revised 2016)	Investment Property	2017
TAS 104 (revised 2016)	Troubled Debt Restructuring	2017
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities	2017
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation	2017
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2017
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease	2017
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2017
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment	2017
TFRIC 12 (revised 2016)	Service Concession Arrangements	2017
TFRIC 13 (revised 2016)	Customer Loyalty Programmes	2017
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2017
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners	2017
TFRIC 18 (revised 2016)	Transfers of Assets from Customers	2017
TSIC 15 (revised 2016)	Operating Leases – Incentives	2017
TSIC 25 (revised 2016)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	2017
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2017
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures	2017

ROYAL PORCELAIN PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2016

<u>TFRS</u>	<u>Topic</u>	<u>Effective date</u>
TSIC 31 (revised 2016)	Revenue – Barter Transactions Involving Advertising Services	2017
TSIC 32 (revised 2016)	Intangible Assets – Web Site Costs	2017
FAP Announcement 5/2559	Accounting Guidance for Derecognition of Financial Assets and Financial Liabilities	2017

Management expects to adopt and apply these revised TFRSs in accordance with the FAP's announcement and is presently considering the potential impact on the Company's financial statements of these revised TFRSs.

26. APPROVAL OF FINANCIAL STATEMENTS

The Company's director has authorized these financial statements for issue on March 13, 2017.

Performance Analysis

Revenues

In the Year 2016, the Company's Total Sale Revenue was reported at THB 1,508 million, which was decrease by THB 191 million compared to the previous year of 2015. Accordingly, Export Sales represented THB 1,161 million, which was 77% of the total sales. Domestic Sales were recorded at THB 347 million, or 23% of total sales. Porcelain was the major sales product, showing the highest income in year 2016 that represented 50% of total sales, Unleaded Bone China was second representing 37%, while Ultra Strong 7%, Maxadura represented 6% respectively.

In the year 2016, the Company recorded a total revenue inclusive of other income at the value of THB 1,576 million, a decrease of THB 138 million or 8%, when compared to the total revenue figure for the year 2015.

Performance

In 2016, Gross Profit was reported at THB 167 million or 11% of total sales, a decrease of THB 73 million or 30% from the previous year.

Profit before interest and taxes was THB 19 million, after THB 11 million deductions from interest, with no the corporate income tax this year, therefore, net profit was THB 8 million of 0.5% of total sales, basic earnings per share represented 0.09 Baht, which profit was higher than the figure in 2015, loss per share represented 1.06 Baht. And the Company recorded the actuarial losses recognized in other comprehensive income for the provision for long-term employee benefits THB 8, therefore, total comprehensive income for the year was reported at THB 0.2 million which profit was higher than year 2015 by THB 99 million.

Financial Position

At the end of December 2016, the Company's total assets were THB 933 million, which was lower than the previous year by THB 167 million compared to the previous year of 2015. Total Liabilities stood at THB 587 million which included loan and financial debt of THB 255 million, trade and other payables THB 151 million, provision for long-term employee benefits THB 108 million and provision for loss on the litigation claims THB 73 million, a decrease of THB 167 million compared to last year. Total Shareholders' Equity was THB 346 million, equity per share represented 3.7 Baht.

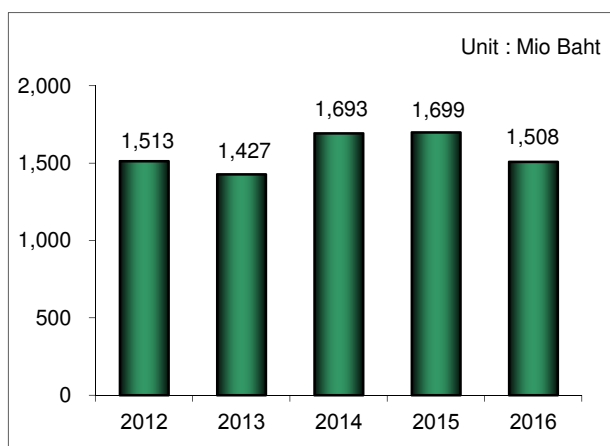
Liquidity

Throughout the year 2016, Net Cash from operation activities stood at THB 139 million, an increase of THB 71 million from year 2015. The Net Cash amount used in investing activities was THB 19 million. The net cash amount used for financing activities was recorded at THB 115 million. This was due to the payment of long-term loans for THB 99 million, the payment of short-term loans for THB 3 million, the payment of liabilities under finance lease agreements for THB 2 million and the interest payment of THB 11 million. Therefore at the end of year 2016, the total cash amount stood at THB 47 million that already included Net Cash amounts at the beginning of the year.

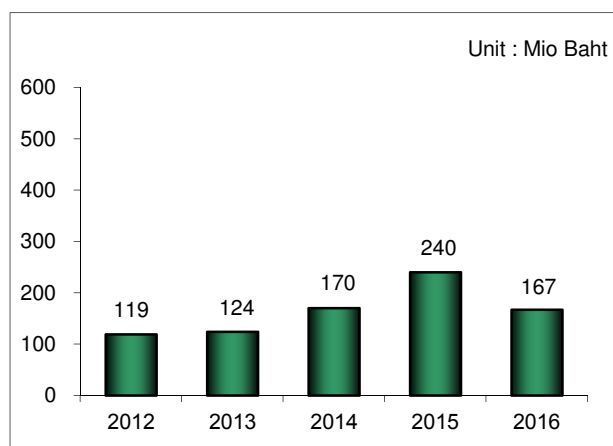
Key figures

Financial Highlights	2012	2013	2014	2015	2016
					Unit : Million Pieces
Production Volume	29.3	27.4	32.0	34.5	27.4
Sales Volume	25.9	25.3	28.6	29.6	24.9
					Unit : Persons
Number of Employees	2,508	2,005	2,790	2,795	2,487
Operating Performance					Unit : Million Baht
Total revenue	1,547	1,435	1,753	1,714	1,576
Net Sales	1,513	1,427	1,693	1,699	1,508
Cost of goods sold	1,394	1,303	1,523	1,459	1,341
Gross profit	119	124	170	240	167
EBITDA	49	12	84	(22)	77
EBIT	(61)	(101)	1	(90)	19
Net profit (loss) before tax	(70)	(111)	(9)	(99)	8
Net profit (loss) after tax	(70)	(111)	(9)	(99)	8
Earning (loss) per share	(0.75)	(1.19)	(0.10)	(1.06)	0.09
Dividend per share	-	-	-	-	n.a.
Dividend payout ratio (%)	-	-	-	-	n.a.
Financial Position					
Total assets	1,130	1,087	1,095	1,100	933
Total liabilities	564	633	650	754	587
Net Financial Debt	285	343	252	318	211
Total shareholders ' equity	566	454	445	346	346
Book value per share	6.05	4.85	4.75	3.70	3.70
Financial Ratio					
Net income to sales (%)	(4.6)	(7.8)	(0.5)	(5.8)	0.5
Return on assets (%)	(6.1)	(10.0)	(0.8)	(9.0)	0.8
Return on equity (%)	(11.6)	(21.8)	(2.0)	(25.0)	2.3
Total assets per share	12.1	11.6	11.7	11.8	10.0
Debt to Equity Ratio (Times)	1.0	1.4	1.5	2.2	1.7

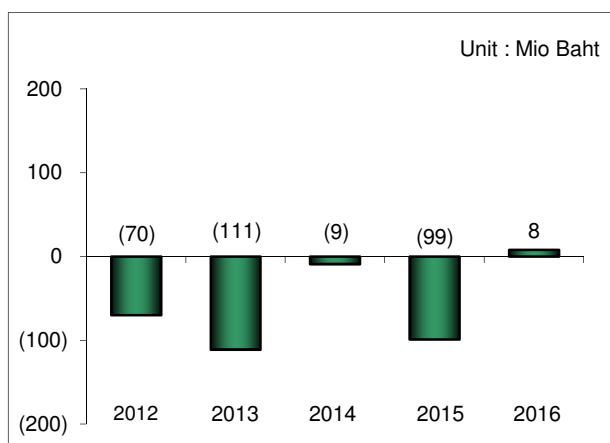
NET SALES



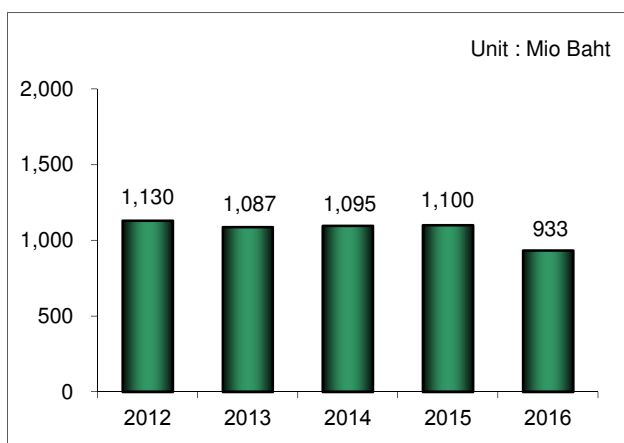
GROSS PROFIT



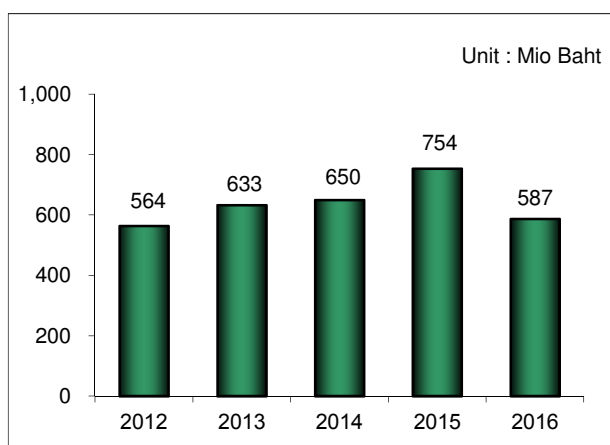
NET PROFIT (DEFICIT)



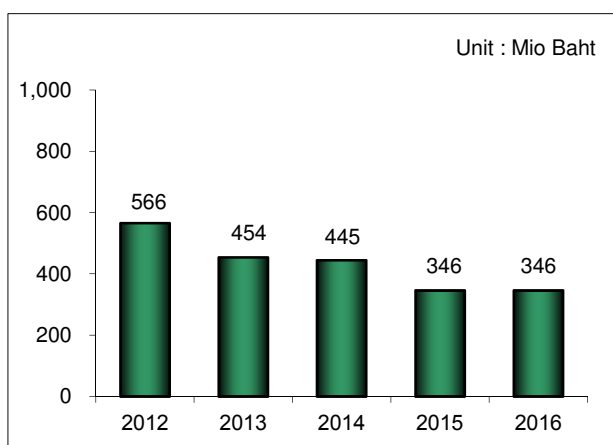
TOTAL ASSETS



TOTAL LIABILITIES



SHAREHOLDER'S EQUITY



Shareholding Structure

Major Shareholders and Shareholding proportion

Major Shareholders (At closing date of Share registry : December 31, 2016)		Shares	Shareholding(%)
1.	Mr. Chokchai Lertiendumrong	21,106,995	22.55
2.	Mr. Ruangchai Lertiendumrong	21,087,397	22.54
3.	Government Pension Fund	14,037,900	15.00
4.	Mr. Kamolaphat Teepsuwan	5,002,262	5.35
5.	Dhipaya Insurance Public Company Limited	4,679,300	5.00
6.	Mr. Kitti Korpanichkul	4,679,300	5.00
	Other Shareholders	22,992,846	24.57
Total		93,586,000	100.00

SUMMARY OF SIGNIFICANT INFORMATION

1. A Director who has any direct and indirect interest from the company's transaction in the year 2016.

- None -

2. Holdings in shares by the Directors as at December 31, 2016

Directors	Number of shares	Increase (Decrease)
1. Mr. Chokchai Lertiendumrong	21,106,695	-
2. Mr. Ruangchai Lertiendumrong	21,087,397	-
3. Mr. Kamolaphat Teepsuwan	5,002,262	-
4. Miss Sunee Lertiendumrong	-	-
5. Mr. Teerapong Ninvoraskul	-	-

Remuneration for the Directors

Unit : Baht per year

Director's Name	Position	Monthly Remuneration	Annual Remuneration	Total
1. Mr. Chokchai Lertiendumrong	Managing Director and Chief Executive Offer	120,000	-	120,000
2. Mr. Kamolaphat Teepsuwan	Director	120,000	-	120,000
3. Mr. Ruangchai Lertiendumrong	Director	120,000	-	120,000
4. Mr. Teerapong Ninvoraskul	Director	120,000	-	120,000
5. Miss Sunee Lertiendumrong	Director	120,000	-	120,000
Total		600,000	-	600,000

Related Company's Information

1. Holdings in related shares as at December 31, 2016

- None –

2. Holdings in shares by the Directors as at December 31, 2016

- None –

Others Company's Information

1. Holdings in other shares as at December 31, 2016

- None –

2. Holdings in shares by the Directors as at December 31, 2016

- None –