



Royal Porcelain ® ©



รายงานประจำปี 2553

บริษัท รอยัล ปอร์ซเลน จำกัด (มหาชน)
ROYAL PORCELAIN : ANNUAL REPORT 2010

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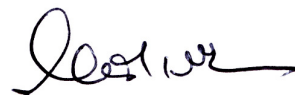
Message from Chairperson of Board of Directors

Dear shareholders,

The global economic crisis continued to affect the demand for our products in the international markets in 2010. At the same time, the domestic market was also affected by political disturbances which have compelled our key clients to alter their investment strategies or postpone their expansion initiatives. The demand for our market has dwindled as a result. The fluctuation in currency exchange rates only served to further affect our export volume. Nevertheless, we are delighted to note that we have achieved a measure of success by outperforming ourselves in the prior year with total sales of 1,412 Million Baht or an increase of 23% from 2009 while the majority of revenue is still from export. Net loss is at 72 Million Baht or 47% down from 2009. This success could have been achieved only with the mutual collaboration of the executives and the staff from all departments.

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. That is inclusive of the selection of competent individuals with experience in the industry to succeed executives retiring in 2011. To this end, we have altered our shareholding structure in January and identified suitable candidates for the Managing Director and executive positions. They have commenced with their tenure in April.

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.



(Sopawadee Lertmanatchai)

Chairperson, Board of Directors

Board of Directors

Miss Sopawadee	Lertmanaschai	Chairman
Mr. Suroj	Subhasavasdikul	Director and Independent Director
Mrs. Duangkamol	Suchato	Director and Independent Director
Mr. Anun	Louharanoo	Director and Independent Director
Mr. Thanarak	Silavanich	Managing Director and Chief of Executive Officer
Miss Somsri	Limsong	Director
Mr. Vivat	Lorchirachoolkul	Director
Mr. Vanchai	Tosomboon	Director
Mr. Suvit	Nardwangmuang	Director
Mr. Krit	Phunratanamala	Director
Miss Soontaree	Suttawassunthon	Director and Secretary to the Board of Director

Risk Management

Mr. Thanarak	Silavanich	Chairman
Mr. Pravit	Paisansarakit	Member
Miss Soontaree	Suttawassunthon	Member
Mr. Chatchai	Kramolngam	Member
Mr. Kamolaphat	Teepsuwan	Member
Mr. Surachai	Kallayanamitra	Member
Mr. Narong	Apichatanakul	Member and Secretary

Executive Committee

Mr. Thanarak	Silavanich	Managing Director and Chief Executive Officer
Mr. Pravit	Paisansarakit	Executive Vice President for Manufacturing
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
Mr. Kamolaphat	Teepsuwan	Vice President for Marketing and Sales

Company's General Information

Royal Porcelain Public Company Limited

Registration No.	: Bor Mor Jor. 661
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, Kaengkoi 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	: Ernst & Young Office Limited 33 rd Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110

Report of Independent Auditor

To the shareholders of Royal Porcelain Public Company Limited

I have audited the balance sheets of Royal Porcelain Public Company Limited as at 31 December 2010 and 2009, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Royal Porcelain Public Company Limited as at 31 December 2010 and 2009, the results of its operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Ratana Jala
Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 21 March 2011

Financial Statements

Royal Porcelain Public Company Limited.

Balance Sheets

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Assets			
Current assets			
Cash and cash equivalents	6	13,430,236	31,929,761
Trade accounts receivable - net	7	144,446,255	106,193,497
Inventories - net	8	405,944,300	406,556,940
Other current assets		<u>10,874,985</u>	<u>11,465,061</u>
Total current assets		<u>574,695,776</u>	<u>556,145,259</u>
Non-current assets			
Property, plant and equipment - net	9	592,230,697	709,428,367
Intangible assets - net	10	12,657,250	13,794,507
Leasehold rights - net	11	4,740,490	6,173,070
Other non-current assets		<u>3,882,207</u>	<u>4,164,058</u>
Total non-current assets		<u>613,510,644</u>	<u>733,560,002</u>
Total assets		<u><u>1,188,206,420</u></u>	<u><u>1,289,705,261</u></u>

The accompanying notes are an integral part of the financial statements.

Royal Porcelain Public Company Limited.

Balance Sheets

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans			
from bank	12	188,798,978	150,000,000
Trade accounts payable		102,254,891	80,261,466
Current portion of long-term loans	13	110,000,000	125,000,000
Current portion of liabilities under finance			
lease agreements	14	2,004,784	625,807
Other current liabilities			
Accrued expenses		78,407,012	79,202,387
Others		<u>12,266,826</u>	<u>22,257,678</u>
Total current liabilities		<u>493,732,491</u>	<u>457,347,338</u>
Non-current liabilities			
Long-term loans - net of current portion	13	70,000,000	137,500,000
Liabilities under finance lease			
agreements - net of current portion	14	<u>3,598,949</u>	<u>1,743,179</u>
Total non-current liabilities		<u>73,598,949</u>	<u>139,243,179</u>
Total liabilities		<u>567,331,440</u>	<u>596,590,517</u>

The accompanying notes are an integral part of the financial statements.

Financial Statements

Balance Sheets

As at 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Shareholders' equity			
Share capital			
Registered			
120,000,000 ordinary shares of Baht 5 each		<u>600,000,000</u>	<u>600,000,000</u>
Issued and fully paid up			
93,586,000 ordinary shares of Baht 5 each		467,930,000	467,930,000
Share premium		89,674,620	89,674,620
Retained earnings			
Appropriated			
Statutory reserve	15	60,000,000	60,000,000
General reserve		31,500,000	31,500,000
Unappropriated (deficit)		<u>(28,229,640)</u>	<u>44,010,124</u>
Total shareholders' equity		<u>620,874,980</u>	<u>693,114,744</u>
Total liabilities and shareholders' equity		<u>1,188,206,420</u>	<u>1,289,705,261</u>

The accompanying notes are an integral part of the financial statements.

Financial Statements

Income statements

For the years ended 31 December 2010 and 2009

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
Revenues			
Sales		1,412,490,872	1,146,510,685
Other income		<u>14,830,142</u>	<u>15,864,329</u>
Total revenues		<u>1,427,321,014</u>	<u>1,162,375,014</u>
Expenses			
Cost of goods sold		1,260,351,997	1,039,819,872
Selling and distribution expenses		112,090,634	119,860,555
Administrative expenses		87,987,156	90,785,361
Management benefit expenses	16	<u>19,268,180</u>	<u>21,723,500</u>
Total expenses		<u>1,479,697,967</u>	<u>1,272,189,288</u>
Loss before financial cost		(52,376,953)	(109,814,274)
Financial cost		<u>(19,862,811)</u>	<u>(26,144,351)</u>
Net loss for the year		<u>(72,239,764)</u>	<u>(135,958,625)</u>
Basic loss per share (Baht)			
	17		
Net loss		<u>(0.77)</u>	<u>(1.45)</u>

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Issued and fully paid up share capital	Share premium	Retained earnings			Total
			Appropriated		Unappropriated	
			Statutory reserve	Other reserve		
Balance as at 31 December 2008	467,930,000	89,674,620	60,000,000	31,500,000	179,968,749	829,073,369
Net loss for the year	-	-	-	-	(135,958,625)	(135,958,625)
Balance as at 31 December 2009	467,930,000	89,674,620	60,000,000	31,500,000	44,010,124	693,114,744
Balance as at 31 December 2009	467,930,000	89,674,620	60,000,000	31,500,000	44,010,124	693,114,744
Net loss for the year					(72,239,764)	(72,239,764)
Balance as at 31 December 2010	467,930,000	89,674,620	60,000,000	31,500,000	(28,229,640)	620,874,980

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statements of cash flows

For the years ended 31 December 2010 and 2009

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net loss before tax	(72,239,764)	(135,958,625)
Adjustments to reconcile net loss before tax to net cash provided by (paid from) operating activities:		
Depreciation	133,419,454	147,114,962
Amortisation	5,526,573	4,666,054
Allowance for doubtful accounts	(2,927,911)	(2,211,338)
Allowance for obsolete inventories	1,374,929	4,068,683
Write-off inventory	2,711,698	3,392,526
Gain on disposal and write-off equipment	(103,546)	(645,729)
Unrealised loss on exchange	690,001	467,141
Amortisation of deferred interest expenses under long-term lease agreements	361,870	600,849
Interest expenses	19,500,941	25,543,501
Corporate income tax expenses	1,223,896	-
Income from operating activities before changes in operating assets and liabilities	89,538,141	47,038,024
Operating assets (increase) decrease		
Trade accounts receivable	(34,989,102)	75,833,866
Inventories	(3,473,987)	13,889,666
Other current assets	840,838	(716,947)
Other non-current assets	281,850	971,389
Operating liabilities increase (decrease)		
Trade accounts payable	21,710,983	3,102,789
Accrued expenses	(772,352)	20,232,548

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statements of cash flows

For the years ended 31 December 2010 and 2009

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Other current liabilities	(10,980,637)	16,842,318
Cash flows from operating activities	62,155,734	177,193,653
Cash paid for corporate income tax	(1,405,543)	(291,908)
Net cash from operating activities	60,750,191	176,901,745
Cash flows from investing activities		
Increase in property, plant and equipment - net	(12,066,780)	(2,864,246)
Increase in intangible assets - net	(2,956,736)	(5,709,150)
Proceeds from disposal of equipment	453,660	742,027
Net cash flows used in investing activities	(14,569,856)	(7,831,369)
Cash flows from financing activities		
Increase in bank overdrafts	8,798,978	-
Increase in short-term loans from bank	40,000,000	100,000,000
Cash repayment of short-term loans from bank	(10,000,000)	(250,000,000)
Increase in long-term loans from bank	-	170,000,000
Cash repayment of long-term loans from bank	(82,500,000)	(166,200,000)
Decrease in liabilities under finance lease agreements	(1,701,355)	(2,147,056)
Cash paid for interest expenses	(19,277,483)	(25,108,752)
Dividend paid	-	(715,928)
Net cash flows used in financing activities	(64,679,860)	(174,171,736)
Decrease in cash and cash equivalents	(18,499,525)	(5,101,360)
Cash and cash equivalents at beginning of the year	31,929,761	37,031,121
Cash and cash equivalents at end of the year	<u>13,430,236</u>	<u>31,929,761</u>

The accompanying notes are an integral part of the financial statements.

Royal Porcelain Public Company Limited
Notes to financial statements
For the year ended 31 December 2010 and 2009

1. General information

1.1 Corporate information

Royal Porcelain Public Company Limited (“The Company”) is a limited company incorporated and domiciled in Thailand and on 25 October 2000 had registered for the change in its status to be a public limited company under the Public Limited Companies Act. The Company is principally engaged in the manufacture of ceramic tableware. Its registered address is 888/90-92, 9th Floor Mahatun Plaza Building, Ploenchit Road, Bangkok and its factory is located at 36 and 39 Moo 1, Sudbantad Road, Tumbol Tandieo, Amphur Kaengkhoi, Saraburi.

2. Basis for the preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

3. Adoption of new accounting standards

During the current year, the Federation of Accounting Professions (“FAP”) issued a number of revised and new accounting standards (TAS, TFRS, TFRIC, SIC) as listed below.

a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements

(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC Interpretation 15	Agreements for the Construction of Real Estate
SIC 31	Revenue - Barter Transactions Involving Advertising Services

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits [or liabilities arising from other defined benefit plans] using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at their net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in the collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Finished goods, work in progress, raw materials and store supplies are valued at the lower of cost (on an average method) and net realizable value. In arriving at net realizable value due allowance has been made for all obsolete and deteriorated inventories.

Saggar is stated at cost. The Company amortises its saggar upon issuance, on a straight-line basis over a period of 10 months.

4.5 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Buildings and structures	-	20 years
Machinery and equipment	-	10 years
Furniture and office equipment	-	5 years
Vehicles	-	5 years

Depreciation attributed to the original cost is included in determining income.

No depreciation is provided for land and assets under construction and installation.

4.6 Intangible assets

Intangible assets are measured at cost less any accumulated amortisation and allowance for loss on impairment of assets (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3 - 5 years

The amortisation is included in determining income.

4.7 Leasehold rights

Leasehold rights are amortised on the straight-line basis over the lease period.

4.8 Related party transactions

Related parties comprise enterprises and individuals that control or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.9 Long-term leases

Leases of computer and vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

4.10 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.12 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.13 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

4.14 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortized on a straight-line basis over the contract periods.

4.15 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5. Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. However, actual results could differ from those estimates.

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing an adjustment to the carrying amounts of assets within the next financial year relate primarily to allowance for doubtful accounts, allowance for diminution in value of inventory, impairment of assets, useful life of plant and equipment, leases and litigation. All of the estimates and assumptions that are not detailed in the corresponding disclosure are as follows:

Plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimated useful lives and salvage values when there are any changes.

In addition, the management is required to review plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess the results of the litigation and believes that the provision made would be sufficient. However, actual results could differ from the estimates.

6. Cash and cash equivalents

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash	154,355	180,413
Bank deposits	13,275,881	31,749,348
Total	<u>13,430,236</u>	<u>31,929,761</u>

As at 31 December 2010, bank deposits in saving accounts carried interests between 0.50 and 0.75 percent per annum (2009: between 0.50 and 0.75 percent per annum).

7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2010 and 2009, age on the basis of due dates, are summarised below:

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
<u>Age of receivable</u>		
Not yet due	122,685,984	86,346,796
Overdue 1 day to 30 days	17,345,373	20,352,044
Overdue over 30 days to 90 days	6,856,612	1,111,860
Overdue over 90 days to 180 days	121,725	321,737
Overdue over 180 days to 365 days	5,650	1,290,509
Overdue over 365 days	38,520	2,306,071
Total	<u>147,053,864</u>	<u>111,729,017</u>
Less: Allowance for doubtful accounts	<u>(2,607,609)</u>	<u>(5,535,520)</u>
Trade accounts receivable - net	<u>144,446,255</u>	<u>106,193,497</u>

8. Inventories

(Unit: Baht)

	Cost		Allowance for diminution in value of inventory		Inventory-net	
	2010	2009	2010	2009	2010	2009
Finished goods	95,970,868	80,148,371	(13,759,939)	(12,385,010)	82,210,929	67,763,361
Work in process	220,773,495	235,995,164	(1,455,530)	(1,455,530)	219,317,965	234,539,634
Raw materials	51,776,576	43,271,167	(832,825)	(832,825)	50,943,751	42,438,342
Store supplies	20,019,177	19,612,389	-	-	20,019,177	19,612,389
Saggar	29,959,666	29,122,842	-	-	29,959,666	29,122,842
Goods in transit	3,492,812	13,080,372	-	-	3,492,812	13,080,372
Total	421,992,594	421,230,305	(16,048,294)	(14,673,365)	405,944,300	406,556,940

9. Property, plant and equipment

(Unit: Baht)

	Land	Building and other constructions	Machinery and equipment	Furniture and office Equipment	Vehicles	Assets under construction and installations	Total
	Cost						
As at 31 December 2009	96,299,772	274,194,357	1,442,803,403	249,408,688	11,408,266	-	2,074,114,486
Additions	-	-	415,000	13,733,577	-	2,492,435	16,641,012
Disposals	-	-	(21,714,513)	(3,857,778)	-	-	(25,572,291)
Transfer in/(out)	-	-	(500,248)	3,008,967	(18,878)	(2,489,841)	-
As at 31 December 2010	96,299,772	274,194,357	1,421,003,642	262,293,454	11,389,388	2,594	2,065,183,207
Accumulated depreciation							
As at 31 December 2009	-	187,013,149	939,742,942	225,832,093	9,610,144	-	1,362,198,328
Depreciation for the year	-	7,958,287	111,703,172	13,059,144	698,851	-	133,419,454
Depreciation on disposal	-	-	(21,373,779)	(3,779,284)	-	-	(25,153,063)
Depreciation on transfer	-	-	(257,222)	277,196	(19,974)	-	-
As at 31 December 2010	-	194,971,436	1,029,815,113	235,389,149	10,289,021	-	1,470,464,719
Allowance for impairment loss							
As at 31 December 2009	-	-	2,487,791	-	-	-	2,487,791
As at 31 December 2010	-	-	2,487,791	-	-	-	2,487,791
Net book value							
31 December 2009	96,299,772	87,181,208	500,572,670	23,576,595	1,798,122	-	709,428,367
31 December 2010	96,299,772	79,222,921	388,700,738	26,904,305	1,100,367	2,594	592,230,697
Depreciation for the year							
2009 (Baht 145 million included in manufacturing cost, and the balance in selling and administrative expenses)							147,114,962
2010 (Baht 132 million included in manufacturing cost, and the balance in selling and administrative expenses)							133,419,454

As at 31 December 2010 and 2009, certain plots of land of the Company at a cost of Baht 25,356 are jointly owned by the Company and another company and the original land title deeds are kept by the other company. In addition, some of the Company's land is subject to easement.

Land, buildings and structures, machinery and equipment of the Company, with total net book value of Baht 225 million as at 31 December 2010 (2009: Baht 264 million), are mortgaged as collateral for the long-term loans from a bank as discussed in Note 13.

As at 31 December 2010, certain equipment have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation, of those assets amounted to Baht 884.1 million (2009: Baht 506.4 million).

Assets held under finance leases

In 2010 the Company acquired computers and motor vehicles under finance lease with an aggregate cost of Baht 4.6 million (2009: Baht 0.1 million).

As at 31 December 2010, the Company has computers and motor vehicles acquired under finance leases agreements, with net book value amounting to approximately Baht 5.1 million (2009: Baht 2.0 million).

10. Intangible assets

	Computer software	Assets under installation	Total
	(Unit: Baht)		
Cost			
31 December 2009	44,856,406	6,294,820	51,151,226
Addition	2,248,986	707,750	2,956,736
Transfer in/(out)	7,002,570	(7,002,570)	-
31 December 2010	54,107,962	-	54,107,962
Amortisation			
31 December 2009	37,356,719	-	37,356,719
Amortisation	4,093,993	-	4,093,993
31 December 2010	41,450,712	-	41,450,712
Net book value			
31 December 2009	7,499,687	6,294,820	13,794,507
31 December 2010	12,657,250	-	12,657,250
Amortisation for the year			
2009			3,210,421
2010			4,093,993

As at 31 December 2010, certain intangible assets have been fully amortised but are still in use. The original cost before deducting accumulated amortisation, of those assets amounted to Baht 32.8 million (2009: Baht 31.6 million).

11. Leasehold right

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cost	12,133,919	12,133,919
Less: Accumulated amortisation	<u>(7,393,429)</u>	<u>(5,960,849)</u>
Net book value	<u>4,740,490</u>	<u>6,173,070</u>
Amortisation expenses included in the income statements for the year	<u>1,432,580</u>	<u>1,455,633</u>

12. Bank overdrafts and short-term loans from bank

		(Unit: Baht)	
	Interest rate percent per annum	<u>2010</u>	<u>2009</u>
Bank overdrafts	MOR	8,798,978	-
Short-term loans from banks	3.75 - 5.0%	<u>180,000,000</u>	<u>150,000,000</u>
Total		<u>188,798,978</u>	<u>150,000,000</u>

13. Long-term loans

			(Unit: Baht)	
Loan	Interest rate (%)	Repayment conditions	<u>2010</u>	<u>2009</u>
1	Stipulated in the agreement	Repayment schedule of every 6 months for 8 installments and commencing from January 2007	70,000,000	112,500,000
2	Stipulated in the agreement	Repayment schedule of every 3 months for 12 installments, commencing from September 2009	<u>110,000,000</u>	<u>150,000,000</u>
Total			180,000,000	262,500,000
Less: Current portion			<u>(110,000,000)</u>	<u>(125,000,000)</u>
Net			<u>70,000,000</u>	<u>137,500,000</u>

These loans are secured by the mortgage of Company's property, plant and equipment. The loan agreements contain certain restrictive covenants pertaining to operating performance, and the maintenance of certain financial ratios.

14. Liabilities under finance lease agreements

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Liabilities under finance lease agreements	6,327,405	2,841,680
Less: Deferred interest expenses	<u>(723,672)</u>	<u>(472,694)</u>
Total	5,603,733	2,368,986
Less: Current portion due within one year	<u>(2,004,784)</u>	<u>(625,807)</u>
Liabilities under finance lease agreements - net of current portion	<u><u>3,598,949</u></u>	<u><u>1,743,179</u></u>

The Company has entered into the finance lease agreements with leasing companies for rental of the computers and the motor vehicles for operation and committed to pay rental fee on a monthly basis. The terms of agreements are generally between 3 and 5 years.

As at 31 December 2010, future minimum lease payments required under the finance lease agreements are as follows:

	(Unit: Baht)		
	Less than 1		
	year	1-5 years	Total
Future minimum lease payments	<u>2,442,744</u>	<u>3,884,661</u>	<u>6,327,405</u>
Deferred interest expenses	<u>(437,960)</u>	<u>(285,712)</u>	<u>(723,672)</u>
Present value of future minimum lease payments	<u><u>2,004,784</u></u>	<u><u>3,598,949</u></u>	<u><u>5,603,733</u></u>

15. Statutory 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 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

As at 31 December 2010, the Company had fully reserved.

16. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions which are summarized below arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related companies. Below is a summary of those transactions.

	2010	2009	(Unit: Thousand Baht) Pricing policy
<u>Transactions with related company</u>			
Rental fee expenses	460	360	Negotiated agreement

Directors and management's remuneration

In 2010 the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 19.27 million (2009: Baht 21.72 million).

17. Loss per share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the year.

18. Expenses by nature

Significant expenses by nature are as follows:

	<u>2010</u>	<u>2009</u>	(Unit: Baht)
Salary, wages and other employee benefits	541,492,588	457,437,602	
Depreciation	133,419,454	147,114,962	
Amortisation expenses	5,526,573	4,666,054	
Rental and service expenses	11,265,670	12,239,484	
Raw materials and consumables used	525,839,568	370,365,007	
Changes in inventories of finished goods and work in progress	(600,828)	26,687,720	

19. Financial information by segment

The business of the Company is the manufacture of ceramic tableware for both the domestic and export markets. For the year ended 31 December 2010, export sales represented approximately 78 percent (2009: 75 percent) of total sales. 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.

20. Provident fund

The Company and its permanent employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rates of 3-5 percent of basic salary. The fund which is managed by Ayudhya Fund Management Company Limited, will be paid to employees upon termination, in accordance with the fund rules. During the year 2010, the Company contributed Baht 12 million (2009: Baht 9.9 million) to the fund.

21. Commitments and contingent liabilities

21.1 Operating lease commitments

As at 31 December 2010, the Company has entered into various rental agreements with local companies to lease office premises and other facilities whereby future payments are required in the following amounts:

	(Unit: Million Baht)
Payable within:	
2011	14.7
2012 to 2013	20.5
2013 thereafter	0.1
Total	35.3

21.2 Guarantees

As at 31 December 2010, there were outstanding bank guarantees of approximately Baht 10.0 million (2009: Baht 10.6 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. The details of bank guarantees are as follows:

	(Unit: Million Baht)
Guarantee electricity use	0.6
Guarantee import duty fee	5.0
Guarantee payment to suppliers	4.4
Total	<u>10.0</u>

22. Financial instruments

22.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore 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 balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. 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, interest rate risk is expected to be minimal.

The details of short-term and long-term loans from financial institutions are set out in Note 12 and 13.

Foreign currency risk

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

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2010 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2010
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	1.0	0.7	30.15130
Euro	0.5	0.2	39.93935
Pound	-	0.2	46.79675
Yen	-	0.2	0.37050

Foreign exchange contracts outstanding as at 31 December 2010 are summarised below.

Foreign currency	Sold amount	Forward exchange rate
	(Thousand)	(Baht per 1 foreign currency unit)
US dollar	2,827	29.74 - 30.01

22.2 Fair values of financial instruments

Since the majority of the Company's financial *instruments* are short-term in nature their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount *for* which an asset can be exchanged or a liability settled 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.

23. Capital management

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

According to the balance sheet as at 31 December 2010, the Company had a debt-to-equity ratio of 0.91:1 (2009: 0.86:1).

24. Approval of financial statements

These financial statements were authorised for issuance by the directors of the Company on 21 March 2011.

Performance Analysis

Revenues

In the Year 2010, the Company's Total Sale Revenue was reported at THB 1,412 million, which was increase by THB 265 million compared to the pervious year of 2009. Accordingly, Export Sales represented THB 1,100 million, which was 78% of the total sales. Domestec Sales were recorded at THB 312 million, or 22% of total sales. Porcelain was the major sales product, showing the highest income in year 2010 that represented 46% of total sales, Unlead Bone Chaina was second representing 32%, while Ultra Strong represented 12%, Maxadura 8% and Bone China 2% respectively.

In the year 2010, the Company recorded a total revenue inclusive of other income at the value of THB 1,427 million, an increase of THB 265 million or 22.8%, when compared to the total revenue figure for the year 2009.

Performance

In 2010, Gross Profit was reported at THB 152 million or 10.8% of total sales, an increase of THB 45 million or a growth 42.1% from the previous year.

Loss before interest and taxes was THB 52 million, after THB 20 million deductions from interest, with no the corporate income tax this year, net loss was, therefore, THB 72 million of 5.1% of total sales, which was lower than year 2009 by THB 64 million. Loss per share represented 0.77 Baht, which was lower than the figure achieved in 2009, of 1.45 Baht.

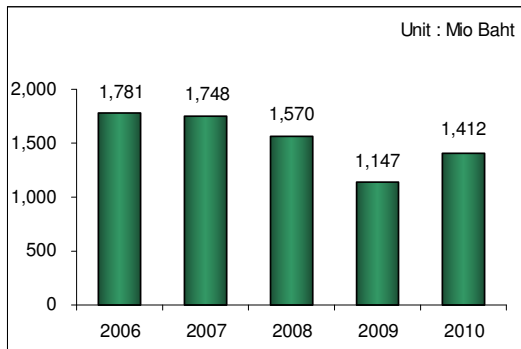
Financial Position

At the end of December 2010, the Company's total assets was THB 1,188 million, which was lower than the previous year by THB 102 million. Total Liabilities stood at THB 567 million which included a financial debt of THB 374 million and account payable THB 193 million, a decrease of THB 30 million compared to last year for repayment of long-term loan. Total Shareholders' Equity was THB 621 million, a decrease of THB 72 million from year 2009 due to performance was loss.

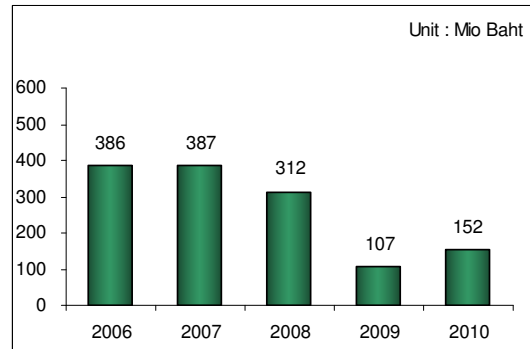
Liquidity

Throughout the year 2010, Net Cash from operation activities stood at THB 61 million, a decrease of THB 116 million from year 2009. The Net Cash amount used in investing activities was THB 15 million for purchasing of equipment and tools and the Net Cash amount used for financing activities was recorded at THB 65 million. This was due to the payment of long – term loan and current portion for long – term loan for THB 84 million, the interest payment of THB 20 million and an increase in long – term loan for THB 39 million which included a bank overdrafts of THB 9 million and short – term loan of THB 30 million. Therefore at the end of year 2010, the total cash amount stood at THB 13 million that already included Net Cash amounts at the beginning of the year.

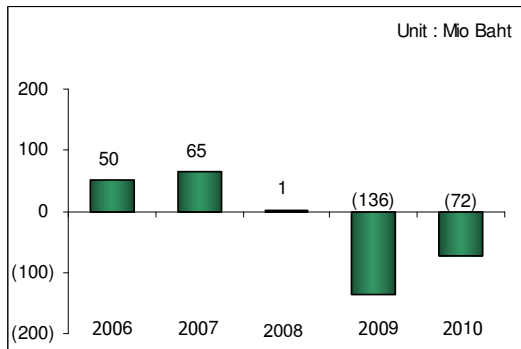
NET SALES



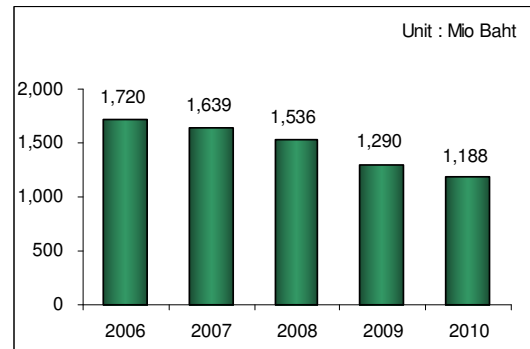
GROSS PROFIT



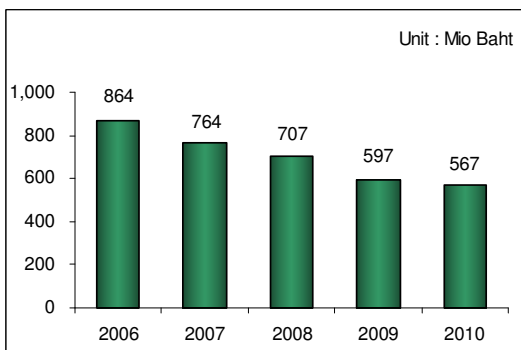
NET PROFIT (DEFICIT)



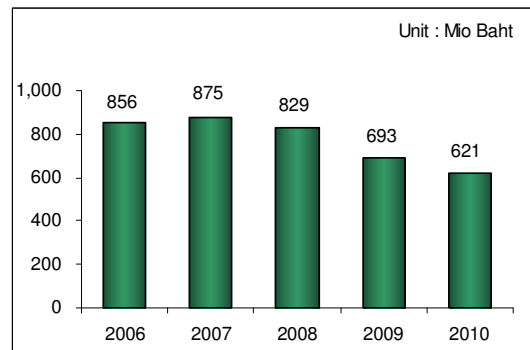
TOTAL ASSETS



TOTAL LIABILITIES



SHAREHOLDERS' EQUITY



Shareholding Structure

Major Shareholders and Shareholding proportion

Major Shareholders		Shares	Shareholding(%)
(At closing date of Share registry : December 31, 2010)			
1.	Thailand Prosperity Fund	18,717,200	20.00
2.	Government Pension Fund	14,037,900	15.00
3.	Mr. Somkiat Limsong	10,215,554	10.92
4.	Mr. Kamolaphat Teepsuwan	5,002,262	5.34
5.	Dhipaya Insurance Public Company Limited	4,679,300	5.00
6.	Mr. Nataphol Teepsuwan	2,748,060	2.94
7.	Thai Military Bank Public Company Limited	2,600,000	2.78
8.	Limsong Company Limited	2,565,260	2.74
9.	Mr. Thanas Tantisunthorn	2,080,000	2.22
10.	Mr. Vongvuthi Vuthinantha	1,824,000	1.95
	Other Shareholders	29,116,464	31.11
Total		93,586,000	100.00

SUMMARY OF SIGNIFICANT INFORMATION

1. A Director who has any direct or indirect interest from the company's transaction in the year 2010

- None –

2. Holdings in shares by the Directors as at December 31, 2010

Directors	Number of shares	Increase(Decrease)
1. Miss Sopawadee Lertmanaschai	-	-
2. Mr. Suroj Subhasavasdikul	-	-
3. Mrs. Duangkamol Suchato	185,860	-
4. Mr. Anun Louharanoo	-	-
5. Mr. Thanarak Silavanich	-	-
6. Miss Somsri Limsong	-	-
7. Mr. Vivat Lorchirachoolkul	-	-
8. Mr. Vanchai Tosomboon	50,000	-
9. Mr. Suvit Nardwangmuang	-	-
10. Mr. Krit Phunratanamala	-	-
11. Miss Soontaree Suttawassunthon	120,000	-

Remuneration for the Directors

Unit : Baht per year

Director's Name	Position	Remuneration		
		Monthly	Bonus	Total
1. Miss Sopawadee Lertmanaschai	Chairman	340,000	-	340,000
2. Mr. Suroj Subhasavasdikul	Director and Independent Director	240,000	-	240,000
3. Mrs. Duangkamol Suchato	Director and Independent Director	240,000	-	240,000
4. Mr. Anun Louharanoo	Director and Independent Director	240,000	-	240,000
5. Mr. Thanarak Silavanich	Managing Director and Chief Executive Office	240,000	-	240,000
6. Miss Variya Wongpreecha	Director	40,000	-	40,000
7. Miss Somsri Limsong	Director	240,000	-	240,000
8. Mr. Vivat Lorchirachoolkul	Director	240,000	-	240,000
9. Mr. Kitipong Urapeepatanapong	Director	20,000	-	20,000
10. Mr. Vanchai Tosomboon	Director	240,000	-	240,000
11. Mr. Suvit Nardwangmuang	Director	240,000	-	240,000
12. Mr. Krit Phunratanamala	Director	240,000	-	240,000
13. Miss Soontaree Suttawassunthoi	Director and Secretary to the Board of Director	240,000	-	240,000
Total		2,800,000	-	2,800,000

Remark :-

- 1) Miss Variya Wongpreecha has resigned as director from February 23, 2010.
- 2) Mr. Kitipong Urapeepatanapong has resigned as director from January 19, 2010.
- 3) Miss Sopawadee Lertmanaschai has been appointed as director since February 23, 2010 and appointed as chairman since February 27, 2010.

Related Company's Information

1. Holdings in related shares as at December 31, 2010

- None –

2. Holdings in shares by the Directors as at December 31, 2010

- None –

Others Company's Information

1. Holdings in other shares as at December 31, 2010

- None –

2. Holdings in shares by the Directors as at December 31, 2010

- None –