

Pan Asia Footwear Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2014



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## Independent Auditor's Report

To the Shareholders of Pan Asia Footwear Public Company Limited

I have audited the accompanying consolidated financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Pan Asia Footwear Public Company Limited for the same period.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

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

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



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

### **Basis for Qualified Opinion**

As discussed in Note 15 to the financial statements, the Company did not obtain the financial statements for the year ended 31 December 2014 of PA Capital Company Limited, the associate, and subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2013, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements. I did not audit the financial statements of the associate and of subsidiaries of the associate since I was not appointed as their auditor and I was unable to apply other audit procedures to satisfy myself as to the value of such investment. This matter is considered to be a scope limitation imposed by circumstance.

### **Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pan Asia Footwear Public Company Limited and its subsidiaries, and of Pan Asia Footwear Public Company Limited as at 31 December 2014, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



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## Emphasis of Matters

I draw attention to Note 1.2 to the financial statements, regarding the ability of the Company and its subsidiaries to continue as a going concern. As presented in the consolidated statement of financial position as at 31 December 2014, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 156 million (Separate financial statements: Baht 116 million) and have deficits of Baht 2,650 million (Separate financial statements: Baht 2,552 million). In addition, several subsidiaries ceased their operations. These conditions indicate the existence of a material uncertainty which could give rise to doubt as to the Company and its subsidiaries ability to continue as a going concern. My opinion is not qualified in respect of this matter.

Termphong Opanaphan

Certified Public Accountant (Thailand) No. 4501

EY Office Limited

Bangkok: 27 February 2015

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2014

(Unit: Baht)

|                                                | Note | Consolidated financial statements |                    | Separate financial statements |                    |
|------------------------------------------------|------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                                                |      | 2014                              | 2013               | 2014                          | 2013               |
| <b>Assets</b>                                  |      |                                   |                    |                               |                    |
| <b>Current assets</b>                          |      |                                   |                    |                               |                    |
| Cash and cash equivalents                      | 6    | 81,683,141                        | 194,651,734        | 23,489,638                    | 124,420,291        |
| Current investments                            | 7    | 105,463,337                       | 65,000,000         | 40,463,337                    | -                  |
| Trade and other receivables                    | 8    | 127,519,127                       | 116,130,882        | 11,408,508                    | 39,463,726         |
| Short-term loans to related parties and others | 9    | 6,915,668                         | 9,085,668          | -                             | -                  |
| Inventories                                    | 10   | 76,688,295                        | 73,031,176         | 13,003,716                    | 20,327,517         |
| Other current assets                           |      | 9,836,392                         | 8,958,915          | 1,214,455                     | 1,103,575          |
|                                                |      | <u>408,105,960</u>                | <u>466,858,375</u> | <u>89,579,654</u>             | <u>185,315,109</u> |
| Assets classified as held for sale             | 11   | 31,092,703                        | 119,506,296        | 22,967,684                    | 123,260,558        |
| <b>Total current assets</b>                    |      | <u>439,198,663</u>                | <u>586,364,671</u> | <u>112,547,338</u>            | <u>308,575,667</u> |
| <b>Non-current assets</b>                      |      |                                   |                    |                               |                    |
| Restricted bank deposits                       | 12   | 5,234,249                         | 6,907,698          | 1,349,000                     | 1,861,000          |
| Investments in available-for-sale securities   | 13   | 58,000                            | 32,000             | 58,000                        | 32,000             |
| Investments in subsidiaries                    | 14   | -                                 | -                  | 142,483,155                   | 142,483,155        |
| Investments in associates                      | 15   | 47,694,443                        | 38,197,460         | 17,327,966                    | -                  |
| Investments in related parties                 | 16   | 8,984,827                         | 3,750,000          | 7,744,500                     | -                  |
| Long-term loans to related parties             | 9    | -                                 | 20,000,000         | 1,500,000                     | -                  |
| Investment properties                          | 17   | 101,482,323                       | -                  | 101,482,323                   | -                  |
| Property, plant and equipment                  | 18   | 71,824,748                        | 82,629,624         | 169,038,518                   | 184,863,723        |
| Goodwill                                       | 19   | -                                 | -                  | -                             | -                  |
| Leasehold right                                |      | -                                 | 4,337,752          | -                             | 4,337,752          |
| Receivables from guarantee - related parties   | 9    | -                                 | -                  | -                             | -                  |
| Deferred tax assets                            | 26   | 4,057,090                         | 4,933,403          | -                             | -                  |
| Other non-current assets                       |      | 19,776,429                        | 21,753,307         | 13,229,473                    | 13,993,400         |
| <b>Total non-current assets</b>                |      | <u>259,112,109</u>                | <u>182,541,244</u> | <u>454,212,935</u>            | <u>347,571,030</u> |
| <b>Total assets</b>                            |      | <u>698,310,772</u>                | <u>768,905,915</u> | <u>566,760,273</u>            | <u>656,146,697</u> |

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

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Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

|                                                            | Note | Consolidated financial statements |                    | Separate financial statements |                    |
|------------------------------------------------------------|------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                                                            |      | 2014                              | 2013               | 2014                          | 2013               |
| <b>Liabilities and shareholders' equity</b>                |      |                                   |                    |                               |                    |
| <b>Current liabilities</b>                                 |      |                                   |                    |                               |                    |
| Bank overdrafts and short-term loans from                  |      |                                   |                    |                               |                    |
| financial institutions                                     | 20   | 152,718,084                       | 220,254,186        | 44,727,489                    | 110,747,733        |
| Trade and other payables                                   | 21   | 244,004,096                       | 250,695,692        | 46,797,773                    | 78,127,489         |
| Short-term loans from related parties and others           | 9    | 100,000,000                       | 100,720,547        | 100,000,000                   | 105,000,000        |
| Current portion of liabilities under finance               |      |                                   |                    |                               |                    |
| lease agreements                                           |      | 913,864                           | 820,721            | -                             | -                  |
| Long-term loan - classified as current liability           | 22   | 43,404,534                        | 43,404,534         | -                             | -                  |
| Current portion of long-term loans                         | 22   | -                                 | 11,702,000         | -                             | 11,244,000         |
| Income tax payable                                         |      | 170,379                           | 185,600            | -                             | -                  |
| Short-term provisions                                      | 23   | 17,685,226                        | -                  | 36,119,034                    | -                  |
| Other current liabilities                                  |      | 2,997,567                         | 3,493,421          | 772,961                       | 924,181            |
|                                                            |      | <u>561,893,750</u>                | <u>631,276,701</u> | <u>228,417,257</u>            | <u>306,043,403</u> |
| Liabilities directly associated with the assets classified |      |                                   |                    |                               |                    |
| as held for sales                                          |      | 33,202,427                        | 23,780,340         | -                             | -                  |
| <b>Total current liabilities</b>                           |      | <u>595,096,177</u>                | <u>655,057,041</u> | <u>228,417,257</u>            | <u>306,043,403</u> |
| <b>Non-current liabilities</b>                             |      |                                   |                    |                               |                    |
| Liabilities under finance lease agreements,                |      |                                   |                    |                               |                    |
| net of current portion                                     |      | 928,579                           | 1,842,443          | -                             | -                  |
| Long-term loans, net of current portion                    | 22   | -                                 | 28,071,000         | -                             | 28,071,000         |
| Provision for long-term employee benefits                  |      | 2,431,389                         | 3,693,019          | 535,709                       | 1,181,571          |
| Long-term provisions                                       | 23   | 29,864,613                        | 41,985,568         | 167,083,714                   | 203,202,748        |
| Deferred tax liabilities                                   | 26   | 787,836                           | 443,314            | 546,743                       | 364,807            |
| Other non-current liabilities                              |      | 3,381,873                         | 2,953,452          | 23,000                        | 23,000             |
| <b>Total non-current liabilities</b>                       |      | <u>37,394,290</u>                 | <u>78,988,796</u>  | <u>168,189,166</u>            | <u>232,843,126</u> |
| <b>Total liabilities</b>                                   |      | <u>632,490,467</u>                | <u>734,045,837</u> | <u>396,606,423</u>            | <u>538,886,529</u> |

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

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Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

|                                                   | Note | Consolidated financial statements |                    | Separate financial statements |                    |
|---------------------------------------------------|------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                                                   |      | 2014                              | 2013               | 2014                          | 2013               |
| <b>Shareholders' equity</b>                       |      |                                   |                    |                               |                    |
| Share capital                                     |      |                                   |                    |                               |                    |
| Registered                                        |      |                                   |                    |                               |                    |
| 540,000,000 ordinary shares of Baht 5 each        |      | 2,700,000,000                     | 2,700,000,000      | 2,700,000,000                 | 2,700,000,000      |
| Issued and fully paid-up                          |      |                                   |                    |                               |                    |
| 540,000,000 ordinary shares of Baht 5 each        |      | 2,700,000,000                     | 2,700,000,000      | 2,700,000,000                 | 2,700,000,000      |
| Premium on ordinary shares                        |      | 1,677,183                         | 1,677,183          | 1,677,183                     | 1,677,183          |
| The Company's shares held by subsidiaries         |      | (17,552,525)                      | (17,552,525)       | -                             | -                  |
| Retained earnings                                 |      |                                   |                    |                               |                    |
| Appropriated - statutory reserve                  | 24   | 21,000,000                        | 21,000,000         | 21,000,000                    | 21,000,000         |
| Unappropriated (deficit)                          |      | (2,649,640,641)                   | (2,680,502,877)    | (2,552,457,333)               | (2,605,325,015)    |
| Other component of shareholders' equity           |      | (66,000)                          | (92,000)           | (66,000)                      | (92,000)           |
| Equity attributable to owners of the Company      |      | 55,418,017                        | 24,529,781         | 170,153,850                   | 117,260,168        |
| Non-controlling interests of the subsidiaries     |      | 10,402,288                        | 10,330,297         | -                             | -                  |
| <b>Total shareholders' equity</b>                 |      | <b>65,820,305</b>                 | <b>34,860,078</b>  | <b>170,153,850</b>            | <b>117,260,168</b> |
| <b>Total liabilities and shareholders' equity</b> |      | <b>698,310,772</b>                | <b>768,905,915</b> | <b>566,760,273</b>            | <b>656,146,697</b> |

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



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Directors

Pan Asia Footwear Public Company Limited and its subsidiaries  
Statement of comprehensive income  
For the year ended 31 December 2014

(Unit: Baht)

|                                                                                                                      | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|----------------------------------------------------------------------------------------------------------------------|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                                                                                      |      | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Profit or loss:</b>                                                                                               |      |                                   |                      |                               |                      |
| <b>Revenues</b>                                                                                                      |      |                                   |                      |                               |                      |
| Sales                                                                                                                |      | 485,375,425                       | 916,056,001          | 33,867,152                    | 561,769,482          |
| Revenues from hire of work                                                                                           |      | 35,325,854                        | 40,401,062           | -                             | 8,100,541            |
| Interest income                                                                                                      |      | 30,764,637                        | 37,316,729           | 15,846,668                    | 18,095,066           |
| Rental income                                                                                                        |      | 960,600                           | 12,861,629           | 442,200                       | 12,297,339           |
| Gain on sales of assets                                                                                              |      | 31,377,659                        | 559,774,578          | 10,446,815                    | 247,853,818          |
| Gain on debt restructuring                                                                                           |      | -                                 | 314,856,975          | -                             | 314,856,975          |
| Other income                                                                                                         |      | 24,336,618                        | 50,387,327           | 19,340,582                    | 32,510,948           |
| <b>Total revenues</b>                                                                                                |      | <b>608,140,793</b>                | <b>1,931,654,301</b> | <b>79,943,417</b>             | <b>1,195,484,169</b> |
| <b>Expenses</b>                                                                                                      |      |                                   |                      |                               |                      |
| Cost of sales and hire of work                                                                                       |      | 436,901,016                       | 1,052,546,712        | 14,754,002                    | 701,176,596          |
| Selling expenses                                                                                                     |      | 7,691,631                         | 20,026,488           | 2,946,505                     | 17,813,192           |
| Administrative expenses                                                                                              |      | 90,908,092                        | 189,427,803          | 38,482,374                    | 91,946,580           |
| Allowance for doubtful accounts (reversal)                                                                           |      | 1,851,329                         | 33,968,529           | (48,520,460)                  | 130,988,164          |
| Severance payment                                                                                                    |      | -                                 | 129,882,230          | -                             | 129,882,230          |
| Impairment loss on investments (reversal)                                                                            |      | (4,136,850)                       | 94,459               | 3,400,000                     | 26,591,665           |
| Impairment loss on assets                                                                                            |      | 9,234,246                         | 73,590,824           | 7,373,692                     | 71,267,998           |
| Provision for litigation                                                                                             |      | 6,483,826                         | 31,320,954           | -                             | 19,200,000           |
| Other expenses                                                                                                       |      | 5,728,966                         | 15,597,919           | 17,800                        | 12,001,116           |
| <b>Total expenses</b>                                                                                                |      | <b>554,662,256</b>                | <b>1,546,455,918</b> | <b>18,453,913</b>             | <b>1,200,867,541</b> |
| <b>Profit (loss) before share of profit from investments<br/>in associates, finance cost and income tax expenses</b> |      | <b>53,478,537</b>                 | <b>385,198,383</b>   | <b>61,489,504</b>             | <b>(5,383,372)</b>   |
| Share of profit from investments in associates                                                                       | 15.2 | 9,496,983                         | 6,795,911            | -                             | -                    |
| <b>Profit (loss) before finance cost and<br/>income tax expenses</b>                                                 |      | <b>62,975,520</b>                 | <b>391,994,294</b>   | <b>61,489,504</b>             | <b>(5,383,372)</b>   |
| Finance cost                                                                                                         |      | (27,647,346)                      | (65,898,984)         | (8,439,886)                   | (39,432,968)         |
| <b>Profit (loss) before income tax expenses</b>                                                                      |      | <b>35,328,174</b>                 | <b>326,095,310</b>   | <b>53,049,618</b>             | <b>(44,816,340)</b>  |
| Income tax expenses                                                                                                  | 26   | (1,905,019)                       | (56,912,300)         | (181,936)                     | (47,095,359)         |
| <b>Profit (loss) for the year before loss from<br/>discontinued operations</b>                                       |      | <b>33,423,155</b>                 | <b>269,183,010</b>   | <b>52,867,682</b>             | <b>(91,911,699)</b>  |
| Loss for the year from discontinued operations                                                                       |      | (2,027,538)                       | (32,050,875)         | -                             | -                    |
| <b>Profit (loss) for the year</b>                                                                                    |      | <b>31,395,617</b>                 | <b>237,132,135</b>   | <b>52,867,682</b>             | <b>(91,911,699)</b>  |
| <b>Other comprehensive income:</b>                                                                                   |      |                                   |                      |                               |                      |
| Gain (loss) on change in value of available-for-sale investments                                                     |      | 26,000                            | (6,000)              | 26,000                        | (6,000)              |
| <b>Other comprehensive income for the year</b>                                                                       |      | <b>26,000</b>                     | <b>(6,000)</b>       | <b>26,000</b>                 | <b>(6,000)</b>       |
| <b>Total comprehensive income for the year</b>                                                                       |      | <b>31,421,617</b>                 | <b>237,126,135</b>   | <b>52,893,682</b>             | <b>(91,917,699)</b>  |

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



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Pan Asia Footwear Public Company Limited and its subsidiaries  
 Statement of comprehensive income (continued)  
 For the year ended 31 December 2014

(Unit: Baht)

|                                                            | Note | Consolidated financial statements |                    | Separate financial statements |               |
|------------------------------------------------------------|------|-----------------------------------|--------------------|-------------------------------|---------------|
|                                                            |      | 2014                              | 2013               | 2014                          | 2013          |
| <b>Profit (loss) attributable to:</b>                      |      |                                   |                    |                               |               |
| Equity holders of the Company                              |      | 30,862,236                        | 232,260,000        | 52,867,682                    | (91,911,699)  |
| Non-controlling interests of the subsidiaries              |      | 533,381                           | 4,872,135          |                               |               |
|                                                            |      | <u>31,395,617</u>                 | <u>237,132,135</u> |                               |               |
| <b>Total comprehensive income attributable to:</b>         |      |                                   |                    |                               |               |
| Equity holders of the Company                              |      | 30,888,236                        | 232,254,000        | 52,893,682                    | (91,917,699)  |
| Non-controlling interests of the subsidiaries              |      | 533,381                           | 4,872,135          |                               |               |
|                                                            |      | <u>31,421,617</u>                 | <u>237,126,135</u> |                               |               |
| <b>Basic earnings per share</b>                            |      |                                   |                    |                               |               |
| Profit (loss) attributable to equity holder of the Company | 27   | <u>0.06</u>                       | <u>0.44</u>        | <u>0.10</u>                   | <u>(0.17)</u> |

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

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Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Baht)

Consolidated financial statements

|                                                          | Equity attributable to owners of the Company |               |                                           |                             |                 |                |                                                               |                             |                |                                                    | Total shareholders' equity |                                                                      |
|----------------------------------------------------------|----------------------------------------------|---------------|-------------------------------------------|-----------------------------|-----------------|----------------|---------------------------------------------------------------|-----------------------------|----------------|----------------------------------------------------|----------------------------|----------------------------------------------------------------------|
|                                                          | Issued and fully paid-up share capital       | Share premium | The Company's shares held by subsidiaries | Retained earnings (deficit) |                 | Unappropriated | Other component of equity                                     |                             |                | Total equity attributable to owners of the Company |                            | Equity attributable to non-controlling interests of the subsidiaries |
|                                                          |                                              |               |                                           | Appropriated                | Unappropriated  |                | Deficit on changes in value of available-for-sale investments | Other comprehensive income  |                |                                                    |                            |                                                                      |
|                                                          |                                              |               |                                           |                             |                 |                |                                                               | Retained earnings (deficit) | Unappropriated |                                                    |                            |                                                                      |
| <b>Balance as at 1 January 2013</b>                      | 2,700,000,000                                | 1,677,183     | (17,552,525)                              | 21,000,000                  | (2,912,762,877) | (86,000)       | (207,724,219)                                                 | 5,458,162                   | (202,266,057)  | 237,132,135                                        | (6,000)                    |                                                                      |
| Profit for the year                                      | -                                            | -             | -                                         | 232,260,000                 | -               | (6,000)        | 232,260,000                                                   | 4,872,135                   | 237,132,135    | -                                                  | (6,000)                    |                                                                      |
| Other comprehensive income for the year                  | -                                            | -             | -                                         | -                           | 232,260,000     | (6,000)        | 232,260,000                                                   | 4,872,135                   | 237,132,135    | -                                                  | (6,000)                    |                                                                      |
| <b>Balance as at 31 December 2013</b>                    | 2,700,000,000                                | 1,677,183     | (17,552,525)                              | 21,000,000                  | (2,680,502,877) | (92,000)       | 24,529,781                                                    | 10,330,297                  | 34,860,078     | 31,395,617                                         | 26,000                     |                                                                      |
| <b>Balance as at 1 January 2014</b>                      | 2,700,000,000                                | 1,677,183     | (17,552,525)                              | 21,000,000                  | (2,680,502,877) | (92,000)       | 24,529,781                                                    | 10,330,297                  | 34,860,078     | 31,395,617                                         | 26,000                     |                                                                      |
| Profit for the year                                      | -                                            | -             | -                                         | -                           | 30,862,236      | -              | 30,862,236                                                    | 533,381                     | 31,395,617     | -                                                  | -                          |                                                                      |
| Other comprehensive income for the year                  | -                                            | -             | -                                         | -                           | -               | 26,000         | 26,000                                                        | -                           | 26,000         | -                                                  | -                          |                                                                      |
| <b>Total comprehensive income for the year</b>           | -                                            | -             | -                                         | -                           | 30,862,236      | 26,000         | 30,888,236                                                    | 533,381                     | 31,421,617     | -                                                  | -                          |                                                                      |
| Decrease in non-controlling interest of the subsidiaries | -                                            | -             | -                                         | -                           | -               | -              | -                                                             | (461,390)                   | (461,390)      | -                                                  | -                          |                                                                      |
| <b>Balance as at 31 December 2014</b>                    | 2,700,000,000                                | 1,677,183     | (17,552,525)                              | 21,000,000                  | (2,649,640,641) | (66,000)       | 55,418,017                                                    | 10,402,288                  | 65,820,305     | 65,820,305                                         | (461,390)                  |                                                                      |

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



*Subsidiaries*

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Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2014

(Unit: Baht)

Separate financial statements

|                                         | Issued and<br>fully paid-up<br>share capital | Share premium    | Retained earnings (deficit) |                        | Unappropriated  | Other component<br>of equity | Total<br>shareholders' equity |
|-----------------------------------------|----------------------------------------------|------------------|-----------------------------|------------------------|-----------------|------------------------------|-------------------------------|
|                                         |                                              |                  | Appropriated                | Unappropriated         |                 |                              |                               |
| <b>Balance as at 1 January 2013</b>     | 2,700,000,000                                | 1,677,183        | 21,000,000                  | (2,513,413,316)        | (86,000)        | 209,177,867                  |                               |
| Loss for the year                       | -                                            | -                | -                           | (91,911,699)           | -               | (91,911,699)                 |                               |
| Other comprehensive income for the year | -                                            | -                | -                           | -                      | (6,000)         | (6,000)                      |                               |
| Total comprehensive income for the year | -                                            | -                | -                           | (91,911,699)           | (6,000)         | (91,917,699)                 |                               |
| <b>Balance as at 31 December 2013</b>   | <b>2,700,000,000</b>                         | <b>1,677,183</b> | <b>21,000,000</b>           | <b>(2,605,325,015)</b> | <b>(92,000)</b> | <b>117,260,168</b>           |                               |
| <b>Balance as at 1 January 2014</b>     | 2,700,000,000                                | 1,677,183        | 21,000,000                  | (2,605,325,015)        | (92,000)        | 117,260,168                  |                               |
| Profit for the year                     | -                                            | -                | -                           | 52,867,682             | -               | 52,867,682                   |                               |
| Other comprehensive income for the year | -                                            | -                | -                           | -                      | 26,000          | 26,000                       |                               |
| Total comprehensive income for the year | -                                            | -                | -                           | 52,867,682             | 26,000          | 52,893,682                   |                               |
| <b>Balance as at 31 December 2014</b>   | <b>2,700,000,000</b>                         | <b>1,677,183</b> | <b>21,000,000</b>           | <b>(2,552,457,333)</b> | <b>(66,000)</b> | <b>170,153,850</b>           |                               |

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



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Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement

For the year ended 31 December 2014

(Unit: Baht)

|                                                                                                             | Consolidated financial statements |               | Separate financial statements |               |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------|-------------------------------|---------------|
|                                                                                                             | 2014                              | 2013          | 2014                          | 2013          |
| <b>Cash flows from operating activities</b>                                                                 |                                   |               |                               |               |
| Profit (loss) before tax                                                                                    | 35,328,174                        | 326,095,310   | 53,049,618                    | (44,816,340)  |
| Loss from discontinued operations                                                                           | (2,027,538)                       | (32,050,875)  | -                             | -             |
| Profit (loss) for the year                                                                                  | 33,300,636                        | 294,044,435   | 53,049,618                    | (44,816,340)  |
| Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities: |                                   |               |                               |               |
| Depreciation and amortisation                                                                               | 12,745,233                        | 41,412,411    | 7,503,087                     | 22,581,852    |
| Allowance for doubtful accounts (reversal)                                                                  | 1,851,329                         | 33,968,529    | (48,520,460)                  | 130,988,163   |
| Reduce cost to net realisable value (reversal)                                                              | (36,099,052)                      | 19,999,474    | (36,186,266)                  | 68,831,706    |
| Allowance for impairment loss on assets                                                                     | 9,234,246                         | 73,590,824    | 7,373,692                     | 71,267,998    |
| Gain on sales of property, plant and equipment                                                              | (31,377,659)                      | (559,774,578) | (10,446,815)                  | (247,853,818) |
| Reversal of short-term loan from other party                                                                | (720,547)                         | -             | -                             | -             |
| Share of profit from investments in associates                                                              | (9,496,983)                       | (6,795,911)   | -                             | -             |
| Allowance for impairment loss on investments (reversal)                                                     | (4,136,850)                       | 94,459        | 3,400,000                     | 26,591,665    |
| Gain on sales of investments in a subsidiary                                                                | (1,605,683)                       | (1,283,572)   | (59,563)                      | -             |
| Reversal loss from guarantee                                                                                | -                                 | (7,511,546)   | -                             | (7,511,546)   |
| Provision for litigation                                                                                    | 6,483,826                         | 31,320,954    | -                             | 19,200,000    |
| Reversal of provision for long-term employee benefits                                                       | (1,261,630)                       | (2,179,549)   | (645,862)                     | (2,054,314)   |
| Gain on debt restructuring                                                                                  | -                                 | (314,856,975) | -                             | (314,856,975) |
| Unrealised loss (gain) on exchange                                                                          | 52,201                            | (503,664)     | (55,241)                      | (750,883)     |
| Interest income                                                                                             | (30,764,637)                      | (37,316,729)  | (15,846,668)                  | (18,095,066)  |
| Interest expenses                                                                                           | 27,647,346                        | 65,898,984    | 8,439,886                     | 39,432,968    |
| Loss from operating activities before changes in operating assets and liabilities                           | (24,148,224)                      | (369,892,454) | (31,994,592)                  | (257,044,590) |
| Operating assets (increase) decrease                                                                        |                                   |               |                               |               |
| Trade and other receivables                                                                                 | 4,541,519                         | 159,678,446   | 34,687,257                    | 131,555,181   |
| Inventories                                                                                                 | 32,441,933                        | 230,084,628   | 43,510,067                    | 168,052,239   |
| Other current assets                                                                                        | (877,477)                         | (993,560)     | (110,880)                     | 17,459,875    |
| Other non-current assets                                                                                    | (1,719,603)                       | 7,845,088     | (1,103,888)                   | 131,416       |
| Assets of subsidiaries that classified as held for sale                                                     | (7,394,550)                       | 19,424,676    | -                             | -             |
| Receivables from guarantee                                                                                  | -                                 | (7,727,987)   | 7,844,500                     | 21,442,014    |
| Operating liabilities increase (decrease)                                                                   |                                   |               |                               |               |
| Trade and other payables                                                                                    | (24,344,726)                      | (151,468,216) | (29,281,803)                  | (122,204,658) |
| Other current liabilities                                                                                   | (495,854)                         | (16,110,977)  | (151,220)                     | 924,181       |
| Short-term provisions                                                                                       | -                                 | (91,162,880)  | -                             | (91,162,880)  |
| Other non-current liabilities                                                                               | 428,421                           | 2,930,341     | -                             | 23,000        |
| Liabilities directly associated with assets of subsidiaries that classified as held for sales               | 9,422,087                         | 9,626,716     | -                             | -             |
| Cash from (used in) operating activities                                                                    | (12,146,474)                      | (207,766,179) | 23,399,441                    | (130,824,222) |
| Cash paid for income tax                                                                                    | (3,253,262)                       | (24,774,584)  | (1,244,890)                   | (10,189,368)  |
| Income tax refunded                                                                                         | 6,250,338                         | 19,496,216    | 3,112,705                     | 9,815,759     |
| Net cash from (used in) operating activities                                                                | (9,149,398)                       | (213,044,547) | 25,267,256                    | (131,197,831) |

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

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Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement (continued)

For the year ended 31 December 2014

(Unit: Baht)

|                                                               | Consolidated financial statements |                      | Separate financial statements |                      |
|---------------------------------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                               | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Cash flows from investing activities</b>                   |                                   |                      |                               |                      |
| Decrease (increase) in restricted bank deposits               | 1,673,449                         | (5,913,924)          | 512,000                       | (1,861,000)          |
| Increase in current investments                               | (40,463,337)                      | (65,000,000)         | (40,463,337)                  | -                    |
| Increase in short-term loans to related parties               | (950,000)                         | (1,980,000)          | -                             | -                    |
| Cash receipt from short-term loans to related parties         | 3,420,000                         | 2,500,000            | -                             | -                    |
| Increase in long-term loans to related parties                | -                                 | (5,900,000)          | (6,500,000)                   | (83,526,995)         |
| Cash receipt from long-term loans to related parties          | 26,985,114                        | 20,940,000           | 29,040,156                    | 77,666,839           |
| Proceeds from sales of assets classified as held for sale     | -                                 | 1,230,092,095        | -                             | 908,452,064          |
| Proceeds from sales of investments in a subsidiary            | -                                 | 8,849,587            | -                             | 8,849,587            |
| Acquisition of property, plant and equipment                  | (8,380,770)                       | (8,513,023)          | (7,301,934)                   | (4,582,534)          |
| Proceeds from sales of property, plant and equipment          | 33,047,398                        | 54,762,010           | 23,160,747                    | 29,294,759           |
| Acquisition of investment properties                          | (5,800,000)                       | -                    | (5,800,000)                   | -                    |
| Interest received                                             | 4,540,553                         | 2,844,925            | 778,512                       | 5,025,963            |
| <b>Net cash from (used in) investing activities</b>           | <b>14,072,407</b>                 | <b>1,232,681,670</b> | <b>(6,573,856)</b>            | <b>939,318,683</b>   |
| <b>Cash flows from financing activities</b>                   |                                   |                      |                               |                      |
| Decrease in bank overdrafts and short-term loans              |                                   |                      |                               |                      |
| from financial institutions                                   | (67,536,102)                      | (414,139,245)        | (66,020,244)                  | (317,180,747)        |
| Repayment of short-term loans from related parties and others | -                                 | (15,544,360)         | (5,000,000)                   | (77,950,000)         |
| Repayment of liabilities under finance lease agreements       | (820,721)                         | (1,062,000)          | -                             | -                    |
| Repayment of long-term loans                                  | (39,773,000)                      | (366,479,657)        | (39,315,000)                  | (251,599,107)        |
| Cash paid for interest expenses                               | (9,761,779)                       | (45,940,719)         | (9,288,809)                   | (38,056,548)         |
| <b>Net cash used in financing activities</b>                  | <b>(117,891,602)</b>              | <b>(843,165,981)</b> | <b>(119,624,053)</b>          | <b>(684,786,402)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(112,968,593)</b>              | <b>176,471,142</b>   | <b>(100,930,653)</b>          | <b>123,334,450</b>   |
| Cash and cash equivalents at the beginning of year            | 194,651,734                       | 18,180,592           | 124,420,291                   | 1,085,841            |
| <b>Cash and cash equivalents at end of year</b>               | <b>81,683,141</b>                 | <b>194,651,734</b>   | <b>23,489,638</b>             | <b>124,420,291</b>   |

Supplementary cash flows information:

Non-cash transactions:

|                                                                                                                                       |            |            |            |       |
|---------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|-------|
| Purchase of assets for which no cash has been paid                                                                                    | -          | 7,944      | -          | 7,944 |
| Transfer assets classified as held for sale to assets available for use                                                               | -          | 16,746,577 | -          | -     |
| Transfer assets classified as held for sale to investment properties                                                                  | 95,808,143 | -          | 95,808,143 | -     |
| Investments in associates and investments in related parties increased due to payment receipt from accounts receivable - subsidiaries | -          | -          | 25,072,466 | -     |
| Investments in related parties increased due to payment receipt from an account receivable - related company                          | 1,097,977  | -          | -          | -     |

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





**Pan Asia Footwear Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2014**

**1. General information**

**1.1 Corporate information**

Pan Asia Footwear Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture, distribution and export of footwear. However, the Company had restructured its business in 2013. Currently, the Company is principally engaged in investment in other companies (Holding Company). The registered office of the Company is at 177/20 Moo 5, Nongkharm, Sriracha, Chonburi.

**1.2 Going concern**

As presented in the consolidated statement of financial position as at 31 December 2014, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 156 million (Separate financial statements: Baht 116 million) and have deficits of Baht 2,650 million (Separate financial statements: Baht 2,552 million). In addition, several subsidiaries had ceased their operations. Although these conditions raise substantial doubt about their ability to continue as a going concern. However, during 2014 and 2013, the Company and its subsidiaries sold partial fixed assets in value of Baht 33 million and Baht 1,285 million, respectively (Separate financial statements: Baht 23 million and Baht 938 million, respectively), in order to settle debts and improve their liquidity. In addition, the Company had restructured its business. For these reasons, the financial statements have been prepared on the going concern basis.

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting 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 28 September 2011, 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.

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## 2.2 Basis of consolidation

- (a) These consolidated financial statements include the financial statements of Pan Asia Footwear Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

| Company's name                                                                                                     | Nature of business                                                  | Country of incorporation | Percentage of shareholding |                 |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------|----------------------------|-----------------|
|                                                                                                                    |                                                                     |                          | 2014<br>Percent            | 2013<br>Percent |
| <u>Subsidiaries directly held by the Company</u>                                                                   |                                                                     |                          |                            |                 |
| Footwear Tech 1530 Company Limited                                                                                 | Ceased operation                                                    | Thailand                 | 100.00                     | 100.00          |
| International Curity Footwear Company Limited                                                                      | Manufacture, distribute and export of footwear and dyeing of fabric | Thailand                 | 100.00                     | 100.00          |
| WBLP Company Limited                                                                                               | Manufacture of footwear and bag                                     | Thailand                 | 100.00                     | 100.00          |
| Phimai Footwear Company Limited                                                                                    | Ceased operation                                                    | Thailand                 | 100.00                     | 100.00          |
| Excellent Rubber Company Limited                                                                                   | Ceased operation                                                    | Thailand                 | 100.00                     | 100.00          |
| Kabinburi Pan Asia Footwear Company Limited                                                                        | Ceased operation                                                    | Thailand                 | 100.00                     | 100.00          |
| Pontex (Thailand) Company Limited                                                                                  | Manufacture of plastic parts and injection                          | Thailand                 | 92.53                      | 92.53           |
| Innovation Nakornluang Footwear Company Limited                                                                    | Ceased operation                                                    | Thailand                 | 96.07                      | 96.07           |
| Hankha Bangkok Rubber Company Limited                                                                              | Manufacture of footwear uppers                                      | Thailand                 | 99.99                      | 99.99           |
| Pan Tech R&D Company Limited                                                                                       | Ceased operation                                                    | Thailand                 | 100.00                     | 100.00          |
| Pan Asia Garment (Laos) Company Limited                                                                            | Ceased operation                                                    | Laos                     | 100.00                     | 100.00          |
| <u>Subsidiaries held by Kabinburi Pan Asia Footwear Company Limited</u>                                            |                                                                     |                          |                            |                 |
| Modern Technology Component Company Limited                                                                        | Manufacture of footwear parts                                       | Thailand                 | 100.00                     | 100.00          |
| Pan Component Company Limited<br>(registered its dissolution with the Ministry of Commerce on 19 December 2014)    | In the process of liquidation                                       | Thailand                 | 100.00                     | 100.00          |
| Pan Upper Company Limited<br>(registered its dissolution with the Ministry of Commerce on 19 December 2014)        | In the process of liquidation                                       | Thailand                 | 100.00                     | 100.00          |
| Burirum Pan Footwear Company Limited<br>(registered its dissolution with the Ministry of Commerce on 11 June 2014) | In the process of liquidation                                       | Thailand                 | 69.27                      | 69.27           |

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- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
  - c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
  - d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
  - e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting period and those that will become effective in the future.

#### (a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

|                       |                                                  |
|-----------------------|--------------------------------------------------|
| TAS 1 (revised 2012)  | Presentation of Financial Statements             |
| TAS 7 (revised 2012)  | Statement of Cash Flows                          |
| TAS 12 (revised 2012) | Income Taxes                                     |
| TAS 17 (revised 2012) | Leases                                           |
| TAS 18 (revised 2012) | Revenue                                          |
| TAS 19 (revised 2012) | Employee Benefits                                |
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures                        |
| TAS 28 (revised 2012) | Investments in Associates                        |
| TAS 31 (revised 2012) | Interests in Joint Ventures                      |
| TAS 34 (revised 2012) | Interim Financial Reporting                      |
| TAS 36 (revised 2012) | Impairment of Assets                             |
| TAS 38 (revised 2012) | Intangible Assets                                |

Financial Reporting Standards:

|                       |                     |
|-----------------------|---------------------|
| TFRS 2 (revised 2012) | Share-based Payment |
|-----------------------|---------------------|

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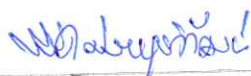


|                                                  |                                                                                                             |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| TFRS 3 (revised 2012)                            | Business Combinations                                                                                       |
| TFRS 5 (revised 2012)                            | Non-current Assets Held for Sale and Discontinued Operations                                                |
| TFRS 8 (revised 2012)                            | Operating Segments                                                                                          |
| Accounting Standard Interpretations:             |                                                                                                             |
| TSIC 15                                          | Operating Leases – Incentives                                                                               |
| TSIC 27                                          | Evaluating the Substance of Transactions Involving the Legal Form of a Lease                                |
| TSIC 29                                          | Service Concession Arrangements: Disclosures                                                                |
| TSIC 32                                          | Intangible Assets – Web Site Costs                                                                          |
| Financial Reporting Standard Interpretations:    |                                                                                                             |
| TFRIC 1                                          | Changes in Existing Decommissioning, Restoration and Similar Liabilities                                    |
| TFRIC 4                                          | Determining whether an Arrangement contains a Lease                                                         |
| TFRIC 5                                          | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds        |
| TFRIC 7                                          | Applying the Restatement Approach under TAS 29<br><i>Financial Reporting in Hyperinflationary Economies</i> |
| TFRIC 10                                         | Interim Financial Reporting and Impairment                                                                  |
| TFRIC 12                                         | Service Concession Arrangements                                                                             |
| TFRIC 13                                         | Customer Loyalty Programmes                                                                                 |
| TFRIC 17                                         | Distributions of Non-cash Assets to Owners                                                                  |
| TFRIC 18                                         | Transfers of Assets from Customers                                                                          |
| Accounting Treatment Guidance for Stock Dividend |                                                                                                             |

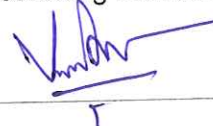
These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These accounting financial reporting standards do not have any significant impact on the financial statements.

**(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards.







The management of the Company and its subsidiaries believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these accounting financial reporting standards involve changes to key principles, as discussed below:

#### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

At present, the Company and its subsidiaries immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

#### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when they are adopted.

  
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## **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

## **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### *Sales of goods*

Sales of goods are recognised 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.

##### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

##### *Interest income*

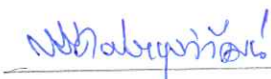

Interest income is recognised on an accrual basis based on the effective interest rate.

#### **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 the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.



#### 4.4 Inventories

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost, and includes all production costs and attributable factory overheads.

Raw material and supplies are valued at the lower of cost (under the average method) and net realisable value and included in manufacturing cost when they were issued.

#### 4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the subsidiary classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

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

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### 4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

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#### 4.7 Property, plant and equipment/Depreciation

Land is stated at cost less allowance for diminution in value (if any). Buildings 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 the straight-line basis over the following estimated useful lives:

|                                          |   |               |
|------------------------------------------|---|---------------|
| Land improvements                        | - | 5 - 20 years  |
| Plants and buildings                     | - | 20 - 25 years |
| Machinery and equipment                  | - | 5 - 10 years  |
| Furniture, fixtures and office equipment | - | 3 - 5 years   |
| Motor vehicles                           | - | 3 - 5 years   |
| Utilities                                | - | 5 - 10 years  |

Depreciation is included in determining income.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.8 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

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#### 4.9 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.

#### 4.10 Long-term leases

Leases of property, plant and equipment 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 profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the assets.

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### 4.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

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 end of the reporting period.

Gains and losses on exchange are included in determining income.


#### 4.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment review 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. The Company also carries out annual impairment reviews in respect of goodwill. 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.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

#### 4.13 Employee benefits

##### ***Short-term employee benefits***

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

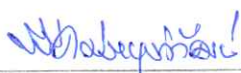
##### ***Post-employment benefits***

###### *Defined contribution plans*


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

###### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.







The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

#### 4.14 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

#### 4.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

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#### 4.16 Assets held for sale

Net assets of discontinued operations held for sale are stated at the lower of cost and fair value after deduction with selling expenses.

Investment properties and property, plant and equipment classified as held for sale are stated at the cost or fair value whichever is lower

#### 5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### 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.

##### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

##### Allowance of diminution in value of inventory

In determining a reduce cost to net realisable value of inventories, the management needs to make judgement in estimating the losses that will be incurred on the sale of the inventory, taking into account net realisable value, aging profile of outstanding inventories and the stock-keeping conditions, among other factors.

##### Impairment of equity investments

The Company and its subsidiaries treat available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.


### **Property plant and equipment and investment property/Depreciation**

In determining depreciation of plant and equipment and investment property, the management is required to make estimates of the useful lives and residual values of those assets and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment and investment property for impairment on a periodical basis and record impairment losses 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.

### **Goodwill**

The initial recognition and measurement of goodwill and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **Litigation**

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and recorded the provisions as described in Note 30.4 to the financial statements.

**6. Cash and cash equivalents**

(Unit: Thousand Baht)

|               | Consolidated         |                | Separate             |                |
|---------------|----------------------|----------------|----------------------|----------------|
|               | financial statements |                | financial statements |                |
|               | <u>2014</u>          | <u>2013</u>    | <u>2014</u>          | <u>2013</u>    |
| Cash          | 240                  | 259            | 8                    | 3              |
| Bank deposits | 81,443               | 194,393        | 23,482               | 124,417        |
| <b>Total</b>  | <b>81,683</b>        | <b>194,652</b> | <b>23,490</b>        | <b>124,420</b> |

As at 31 December 2014, bank deposits in saving accounts carried interest at the rate of 0.50% per annum (2013: between 0.50% and 0.63% per annum) (Separate financial statements: 0.50% per annum (2013: between 0.50% and 0.63% per annum)).

**7. Current investments**

As at 31 December 2014, the Company and its subsidiaries have 4-month fixed deposits, carried interests between 1.05% and 2.00% per annum (2013: 2.63% per annum) (Separate financial statements: 1.05% per annum (2013: Nil)).

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## 8. Trade and other receivables

|                                                  | (Unit: Thousand Baht) |             |                      |             |
|--------------------------------------------------|-----------------------|-------------|----------------------|-------------|
|                                                  | Consolidated          |             | Separate             |             |
|                                                  | financial statements  |             | financial statements |             |
|                                                  | <u>2014</u>           | <u>2013</u> | <u>2014</u>          | <u>2013</u> |
| <u>Trade receivables - related parties</u>       |                       |             |                      |             |
| Aged on the basis of due dates                   |                       |             |                      |             |
| Not yet due                                      | 29,853                | 30,186      | -                    | -           |
| Past due                                         |                       |             |                      |             |
| Up to 3 months                                   | 28,998                | 27,359      | 485                  | 1,120       |
| 3 - 6 months                                     | 8,942                 | 4,725       | 493                  | 985         |
| 6 - 12 months                                    | 13,708                | 9,375       | 321                  | -           |
| Over 12 months                                   | 67,984                | 70,299      | 231                  | 231         |
| Total                                            | 149,485               | 141,944     | 1,530                | 2,336       |
| Less: Allowance for doubtful accounts            | (63,718)              | (64,228)    | (231)                | (87)        |
| Total trade receivables - related parties, net   | 85,767                | 77,716      | 1,299                | 2,249       |
| <u>Trade receivables - unrelated parties</u>     |                       |             |                      |             |
| Aged on the basis of due dates                   |                       |             |                      |             |
| Not yet due                                      | 19,700                | 12,091      | -                    | 221         |
| Past due                                         |                       |             |                      |             |
| Up to 3 months                                   | 12,009                | 8,677       | 312                  | 471         |
| 3 - 6 months                                     | 307                   | 2,124       | 133                  | 1,991       |
| 6 - 12 months                                    | 231                   | 6,402       | 137                  | 6,247       |
| Over 12 months                                   | 11,476                | 12,247      | 174                  | 198         |
| Total                                            | 43,723                | 41,541      | 756                  | 9,128       |
| Less: Allowance for doubtful accounts            | (10,800)              | (15,004)    | (7)                  | (3,230)     |
| Total trade receivables - unrelated parties, net | 32,923                | 26,537      | 749                  | 5,898       |
| Total trade receivables - net                    | 118,690               | 104,253     | 2,048                | 8,147       |
| <u>Other receivables</u>                         |                       |             |                      |             |
| Other receivables - related parties              | 339,083               | 346,242     | 168,605              | 203,506     |
| Other receivables - unrelated parties            | 15,134                | 14,539      | 5,424                | 6,035       |
| Total                                            | 354,217               | 360,781     | 174,029              | 209,541     |
| Less: Allowance for doubtful accounts            | (345,388)             | (348,903)   | (164,668)            | (178,224)   |
| Total other receivables - net                    | 8,829                 | 11,878      | 9,361                | 31,317      |
| Total trade and other receivables - net          | 127,519               | 116,131     | 11,409               | 39,464      |

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## 9. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with individual or related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and subsidiaries and those related parties.

(Unit: Million Baht)

|                                                     | Consolidated         |             | Separate             |             | Transfer pricing policy                            |
|-----------------------------------------------------|----------------------|-------------|----------------------|-------------|----------------------------------------------------|
|                                                     | financial statements |             | financial statements |             |                                                    |
|                                                     | <u>2014</u>          | <u>2013</u> | <u>2014</u>          | <u>2013</u> |                                                    |
| <u>Transactions with subsidiaries</u>               |                      |             |                      |             |                                                    |
| (Eliminated from consolidated financial statements) |                      |             |                      |             |                                                    |
| Sales of goods                                      | -                    | -           | 4                    | 5           | Cost plus margins                                  |
| Interest income                                     | -                    | -           | 15                   | 17          | 7.50% per annum                                    |
| Rental income                                       | -                    | -           | -                    | 1           | As indicated in the agreement                      |
| Other income                                        | -                    | -           | 5                    | 3           | Cost plus margins or as indicated in the agreement |
| Purchases of goods                                  | -                    | -           | 3                    | 21          | Cost plus margins                                  |
| Hire of work expenses                               | -                    | -           | -                    | 5           | Cost plus margins                                  |
| Other expenses                                      | -                    | -           | -                    | 3           | As indicated in the agreement                      |
| <u>Transactions with associates</u>                 |                      |             |                      |             |                                                    |
| Sales of goods                                      | 4                    | 8           | -                    | -           | Cost plus margins                                  |
| Interest income                                     | 28                   | 32          | -                    | -           | 3.00% - 8.63% per annum                            |
| Rental income                                       | 1                    | 5           | -                    | 4           | As indicated in the agreement                      |
| Other income                                        | 1                    | 3           | -                    | -           | Cost plus margins or as indicated in the agreement |
| Purchase of goods                                   | 9                    | 30          | -                    | 22          | Cost plus margins                                  |
| Other expenses                                      | -                    | 2           | -                    | -           | As indicated in the agreement                      |
| <u>Transactions with related companies</u>          |                      |             |                      |             |                                                    |
| Sales of goods                                      | 269                  | 220         | -                    | 3           | Cost plus margins                                  |
| Hire of work income                                 | 1                    | 11          | -                    | -           | Cost plus margins                                  |
| Rental income                                       | -                    | 4           | -                    | 4           | As indicated in the agreement                      |
| Other income                                        | 3                    | 2           | 1                    | -           | Cost plus margins or as indicated in the agreement |
| Purchases of goods                                  | 8                    | 11          | -                    | 1           | Cost plus margins                                  |
| Hire of work expenses                               | -                    | -           | 1                    | -           | Cost plus margins                                  |
| Public utilities expenses                           | 10                   | 10          | -                    | 9           | As indicated in the agreement                      |
| Other expenses                                      | 8                    | 15          | -                    | 1           | As indicated in the agreement                      |
| <u>Transaction with related persons</u>             |                      |             |                      |             |                                                    |
| Interest expenses                                   | 5                    | 5           | 5                    | 5           | 4.90% per annum                                    |

*W. Subyanti*



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As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

|                                                                      | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|----------------------------------------------------------------------|--------------------------------------|-----------|----------------------------------|-----------|
|                                                                      | 2014                                 | 2013      | 2014                             | 2013      |
| <b><u>Trade and other receivables - related parties (Note 8)</u></b> |                                      |           |                                  |           |
| Subsidiaries                                                         | -                                    | -         | 113,624                          | 134,554   |
| Associates                                                           | 262,280                              | 266,053   | 18,239                           | 30,266    |
| Related companies (related by common shareholders and directors)     | 226,288                              | 222,133   | 38,272                           | 41,022    |
| Total                                                                | 488,568                              | 488,186   | 170,135                          | 205,842   |
| Less: Allowance for doubtful accounts                                | (397,940)                            | (402,992) | (161,266)                        | (175,025) |
| Net                                                                  | 90,628                               | 85,194    | 8,869                            | 30,817    |
| <b><u>Receivables from guarantee - related parties</u></b>           |                                      |           |                                  |           |
| Subsidiaries                                                         | -                                    | -         | 17,055                           | 24,900    |
| Associates                                                           | 36,286                               | 36,286    | 36,286                           | 36,286    |
| Related companies (related by common shareholders)                   | 14,734                               | 14,734    | 14,734                           | 14,734    |
| Total                                                                | 51,020                               | 51,020    | 68,075                           | 75,920    |
| Less: Allowance for doubtful accounts                                | (51,020)                             | (51,020)  | (68,075)                         | (75,920)  |
| Net                                                                  | -                                    | -         | -                                | -         |
| <b><u>Trade and other payables - related parties (Note 21)</u></b>   |                                      |           |                                  |           |
| Subsidiaries                                                         | -                                    | -         | 7,246                            | 20,166    |
| Associates                                                           | 26,543                               | 27,116    | 289                              | 517       |
| Related companies (related by common shareholders)                   | 51,380                               | 64,136    | 29,394                           | 35,640    |
| Total                                                                | 77,923                               | 91,252    | 36,929                           | 56,323    |

**Short-term loans to related parties and others**

As at 31 December 2014 and 2013, the balances of short-term loans to related parties and others and the movements are as follows:

(Unit: Thousand Baht)

|                                                              | Consolidated financial statements |          |          | As at<br>31 December<br>2014 |
|--------------------------------------------------------------|-----------------------------------|----------|----------|------------------------------|
|                                                              | As at<br>1 January<br>2014        | Increase | Decrease |                              |
| <b><u>Short-term loans to related parties and others</u></b> |                                   |          |          |                              |
| Short-term loans to related parties                          |                                   |          |          |                              |
| Associates                                                   |                                   |          |          |                              |
| Nongchang Rubber Co., Ltd.                                   | 850                               | -        | -        | 850                          |
| PA Capital Co., Ltd.                                         | 2,533                             | -        | -        | 2,533                        |
| Total                                                        | 3,383                             | -        | -        | 3,383                        |

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(Unit: Thousand Baht)


|                                                           | Consolidated financial statements |            |                |              |
|-----------------------------------------------------------|-----------------------------------|------------|----------------|--------------|
|                                                           | As at                             |            |                | As at        |
|                                                           | 1 January                         |            |                | 31 December  |
|                                                           | 2014                              | Increase   | Decrease       | 2014         |
| <b>Related companies</b>                                  |                                   |            |                |              |
| Narai Bangkok Rubber Co., Ltd.                            | 500                               | -          | (300)          | 200          |
| Thai Sung Shin New Material Co., Ltd.                     | 2,600                             | -          | -              | 2,600        |
| Panway of Life Co., Ltd.                                  | 990                               | -          | (990)          | -            |
| Pan Biotech Co., Ltd.                                     | 990                               | -          | (750)          | 240          |
| Naturalart and Technology Co., Ltd.                       | 4,000                             | -          | (1,000)        | 3,000        |
| Rattananakorn Engineering Co., Ltd.                       | -                                 | 950        | (300)          | 650          |
| <b>Total</b>                                              | <b>9,080</b>                      | <b>950</b> | <b>(3,340)</b> | <b>6,690</b> |
| Total short-term loans to related parties                 | 12,463                            | 950        | (3,340)        | 10,073       |
| Less: Allowance for doubtful accounts                     | (3,950)                           | -          | 300            | (3,650)      |
| Total short-term loans to related parties - net           | 8,513                             | 950        | (3,040)        | 6,423        |
| Short-term loans to others                                | 573                               | -          | (80)           | 493          |
| Total short-term loans to related parties and others, net | 9,086                             | 950        | (3,120)        | 6,916        |

Long-term loans to related parties

As at 31 December 2014 and 2013, the balances of long-term loans to related parties and the movements are as follows:

(Unit: Thousand Baht)

|                                           | Consolidated financial statements |          |                 |                |
|-------------------------------------------|-----------------------------------|----------|-----------------|----------------|
|                                           | As at                             |          |                 | As at          |
|                                           | 1 January                         |          |                 | 31 December    |
|                                           | 2014                              | Increase | Decrease        | 2014           |
| <u>Long-term loans to related parties</u> |                                   |          |                 |                |
| <b>Associates</b>                         |                                   |          |                 |                |
| Pan Asia Leather Co., Ltd.                | 44,760                            | -        | (44,760)        | -              |
| PA Capital Co., Ltd.                      | 395,785                           | -        | (5,000)         | 390,785        |
| P.L. John Industries Co., Ltd.            | 10,700                            | -        | -               | 10,700         |
| Pek Engineering Co., Ltd.                 | 9,540                             | -        | -               | 9,540          |
| <b>Total</b>                              | <b>460,785</b>                    | <b>-</b> | <b>(49,760)</b> | <b>411,025</b> |





(Unit: Thousand Baht)

|                                               | Consolidated financial statements |          |          |             |
|-----------------------------------------------|-----------------------------------|----------|----------|-------------|
|                                               | As at                             |          |          | As at       |
|                                               | 1 January                         | Increase | Decrease | 31 December |
|                                               | 2014                              |          |          | 2014        |
| Related companies                             |                                   |          |          |             |
| Rangsit Footwear Co., Ltd.                    | 2,109                             | -        | -        | 2,109       |
| Pan Tech Machinery Co., Ltd.                  | 2,180                             | -        | (360)    | 1,820       |
| Rangsit Polymer Co., Ltd.                     | 3,721                             | -        | (3,721)  | -           |
| Total                                         | 8,010                             | -        | (4,081)  | 3,929       |
| Total long-term loans to related parties      | 468,795                           | -        | (53,841) | 414,954     |
| Less: Allowance for doubtful accounts         | (448,795)                         | -        | 33,841   | (414,954)   |
| Total long-term loans to related parties, net | 20,000                            | -        | (20,000) | -           |

(Unit: Thousand Baht)

|                                                  | Separate financial statements |          |          |             |
|--------------------------------------------------|-------------------------------|----------|----------|-------------|
|                                                  | As at                         |          |          | As at       |
|                                                  | 1 January                     | Increase | Decrease | 31 December |
|                                                  | 2014                          |          |          | 2014        |
| <b><u>Long-term loans to related parties</u></b> |                               |          |          |             |
| Subsidiaries                                     |                               |          |          |             |
| Modern Technology Component Co., Ltd.            | 24,400                        | 5,000    | (7,000)  | 22,400      |
| Kabinburi Pan Asia Footwear Co., Ltd.            | 174,040                       | -        | (22,040) | 152,000     |
| Phimai Footwear Co., Ltd.                        | 23,050                        | -        | -        | 23,050      |
| International Curity Footwear Co., Ltd.          | -                             | 1,500    | -        | 1,500       |
| Total                                            | 221,490                       | 6,500    | (29,040) | 198,950     |
| Related company                                  |                               |          |          |             |
| Rangsit Footwear Co., Ltd.                       | 2,109                         | -        | -        | 2,109       |
| Total                                            | 2,109                         | -        | -        | 2,109       |
| Total long-term loans to related parties         | 223,599                       | 6,500    | (29,040) | 201,059     |
| Less: Allowance for doubtful accounts            | (223,599)                     | -        | 24,040   | (199,559)   |
| Total long-term loans to related parties, net    | -                             | 6,500    | (5,000)  | 1,500       |





Short-term loans from related parties and others

As at 31 December 2014 and 2013, the balances of short-term loans from related parties and others and the movements are as follows:

(Unit: Thousand Baht)

|                                                                | Consolidated financial statements |          |             |
|----------------------------------------------------------------|-----------------------------------|----------|-------------|
|                                                                | As at                             |          | As at       |
|                                                                | 1 January                         | Decrease | 31 December |
|                                                                | 2014                              |          | 2014        |
| <b><u>Short-term loans from related parties and others</u></b> |                                   |          |             |
| Related person                                                 |                                   |          |             |
| Mr. Boonyasit Chokwatana                                       | 100,000                           | -        | 100,000     |
| Total                                                          | 100,000                           | -        | 100,000     |
| Other                                                          |                                   |          |             |
| Sajja Aomsap Mutual Fund                                       | 721                               | (721)    | -           |
| Total                                                          | 721                               | (721)    | -           |
| Total short-term loans from related parties and others         | 100,721                           | (721)    | 100,000     |

(Unit: Thousand Baht)

|                                                     | Separate financial statements |          |             |
|-----------------------------------------------------|-------------------------------|----------|-------------|
|                                                     | As at                         |          | As at       |
|                                                     | 1 January                     | Decrease | 31 December |
|                                                     | 2014                          |          | 2014        |
| <b><u>Short-term loans from related parties</u></b> |                               |          |             |
| Subsidiary                                          |                               |          |             |
| WBLP Co., Ltd.                                      | 5,000                         | (5,000)  | -           |
| Total                                               | 5,000                         | (5,000)  | -           |
| Related person                                      |                               |          |             |
| Mr. Boonyasit Chokwatana                            | 100,000                       | -        | 100,000     |
| Total                                               | 100,000                       | -        | 100,000     |
| Total short-term loans from related parties         | 105,000                       | (5,000)  | 100,000     |





### Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

|                              | Consolidated         |              | Separate             |              |
|------------------------------|----------------------|--------------|----------------------|--------------|
|                              | financial statements |              | financial statements |              |
|                              | <u>2014</u>          | <u>2013</u>  | <u>2014</u>          | <u>2013</u>  |
| Short-term employee benefits | 17,235               | 9,104        | 13,210               | 5,414        |
| Post-employment benefits     | 92                   | 53           | 66                   | 42           |
| <b>Total</b>                 | <b>17,327</b>        | <b>9,157</b> | <b>13,276</b>        | <b>5,456</b> |

### Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties as described in Note 30.3 a) to the financial statements.

## 10. Inventories

(Unit: Thousand Baht)

Consolidated financial statement

|                          | Cost           |                | Reduce cost to net<br>realisable value |                  | Inventories-net |               |
|--------------------------|----------------|----------------|----------------------------------------|------------------|-----------------|---------------|
|                          | <u>2014</u>    | <u>2013</u>    | <u>2014</u>                            | <u>2013</u>      | <u>2014</u>     | <u>2013</u>   |
|                          | Finished goods | 86,652         | 114,034                                | (45,007)         | (71,481)        | 41,645        |
| Work in process          | 26,147         | 24,915         | (12,079)                               | (11,503)         | 14,068          | 13,412        |
| Raw materials            | 102,042        | 108,989        | (81,863)                               | (92,064)         | 20,179          | 16,925        |
| Raw materials in transit | -              | 141            | -                                      | -                | -               | 141           |
| Supplies                 | 796            | -              | -                                      | -                | 796             | -             |
| <b>Total</b>             | <b>215,637</b> | <b>248,079</b> | <b>(138,949)</b>                       | <b>(175,048)</b> | <b>76,688</b>   | <b>73,031</b> |

(Unit: Thousand Baht)

Separated financial statement

|               | Cost           |                | Reduce cost to net<br>realisable value |                  | Inventories-net |               |
|---------------|----------------|----------------|----------------------------------------|------------------|-----------------|---------------|
|               | <u>2014</u>    | <u>2013</u>    | <u>2014</u>                            | <u>2013</u>      | <u>2014</u>     | <u>2013</u>   |
|               | Finished goods | 44,156         | 78,004                                 | (31,152)         | (57,676)        | 13,004        |
| Raw materials | 65,446         | 75,108         | (65,446)                               | (75,108)         | -               | -             |
| <b>Total</b>  | <b>109,602</b> | <b>153,112</b> | <b>(96,598)</b>                        | <b>(132,784)</b> | <b>13,004</b>   | <b>20,328</b> |



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During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 1 million (2013: Baht 79 million) (Separate financial statements: Nil (2013: Baht 79 million)), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 37 million (2013: Baht 56 million) (Separate financial statements: Baht 36 million (2013: Baht 10 million)), and reduced the amount of inventories recognised as expenses during the year.

#### 11. Assets classified as held for sale

Movements in assets classified as held for sale account for the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

|                                       | Consolidated financial statements |                          |                                     |           |
|---------------------------------------|-----------------------------------|--------------------------|-------------------------------------|-----------|
|                                       | Assets of<br>subsidiaries         | Investment<br>properties | Property,<br>plant and<br>equipment | Total     |
| <b>Balance as at 31 December 2012</b> | 70,054                            | 227,531                  | 573,872                             | 871,457   |
| Transfer to assets available for use  | -                                 | -                        | (16,746)                            | (16,746)  |
| Decrease during the year              | (19,425)                          | -                        | -                                   | (19,425)  |
| Disposals during the year             | (26,931)                          | (131,723)                | (557,126)                           | (715,780) |
| <b>Balance as at 31 December 2013</b> | 23,698                            | 95,808                   | -                                   | 119,506   |
| Transfer to investment properties     | -                                 | (95,808)                 | -                                   | (95,808)  |
| Increase during the year              | 7,395                             | -                        | -                                   | 7,395     |
| <b>Balance as at 31 December 2014</b> | 31,093                            | -                        | -                                   | 31,093    |

(Unit: Thousand Baht)

|                                       | Separate financial statements  |                          |                                     |           |
|---------------------------------------|--------------------------------|--------------------------|-------------------------------------|-----------|
|                                       | Investments<br>in subsidiaries | Investment<br>properties | Property,<br>plant and<br>equipment | Total     |
| <b>Balance as at 31 December 2012</b> | 36,302                         | 685,165                  | 74,245                              | 795,712   |
| Disposals during the year             | (8,850)                        | (589,357)                | (74,245)                            | (672,452) |
| <b>Balance as at 31 December 2013</b> | 27,452                         | 95,808                   | -                                   | 123,260   |
| Transfer to investment properties     | -                              | (95,808)                 | -                                   | (95,808)  |
| Decrease during the year              | (3,400)                        | -                        | -                                   | (3,400)   |
| Disposals during the year             | (1,084)                        | -                        | -                                   | (1,084)   |
| <b>Balance as at 31 December 2014</b> | 22,968                         | -                        | -                                   | 22,968    |

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On 8 February 2013, a meeting of the Board of Directors passed a resolution to sell all 149,993 shares of the Company's investment in Chainat Rubber Company Limited, a subsidiary in which the Company held 100% of shares, to two related companies at Baht 59 per share, or a total of Baht 9 million. The Company has classified this investment under assets classified as held for sale in 2012. The sale was completed in July 2013 which the Company has recorded gain on disposal of investment of Baht 1 million in consolidated profit or loss

On 8 February 2013, a meeting of the Board of Directors passed a resolution to sell all 5,693 shares of the Company's investment in Hankha Bangkok Rubber Company Limited, a subsidiary in which the Company held 100% of shares, to a related company at Baht 201 per share, or a total of Baht 1.1 million. The Company has classified this investment under assets classified as held for sale in 2012. The sale was completed in July 2014 which the Company has recorded gain on disposal of investment of Baht 1.6 million in consolidated profit or loss

As at 31 December 2013, the Company pledged assets classified as held for sale with net book value amounting to Baht 94 million as collateral against loan from related person.

## 12. Restricted bank deposits

As at 31 December 2014 and 2013, the Company and its subsidiaries had pledged the fixed deposits at financial institutions to secure loans and bank guarantee facilities issued by the banks on behalf of the Company and its subsidiaries.

## 13. Investments in available-for-sale securities

|                                                   | (Unit: Thousand Baht)                         |             |
|---------------------------------------------------|-----------------------------------------------|-------------|
|                                                   | Consolidated/Separate<br>financial statements |             |
|                                                   | <u>2014</u>                                   | <u>2013</u> |
| Boutique New City Public Company Limited          | 124                                           | 124         |
| Bangkok Rubber Public Company Limited             | 758,294                                       | 758,294     |
| Total cost                                        | 758,418                                       | 758,418     |
| Less: Deficit on changes in value of investment   | (66)                                          | (92)        |
| Provision for impairment of investments           | (758,294)                                     | (758,294)   |
| Investments in available-for-sale securities, net | <u>58</u>                                     | <u>32</u>   |

The Company had set aside full provision for impairment of investments in the ordinary shares of Bangkok Rubber Public Company Limited which is undergoing debt restructuring under the rehabilitation business plan.

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## 14. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

| Company's name               | Paid-up capital |         | Shareholding percentage |      | Cost             |                  | Allowance for impairment on investments |                    | Net            |                |
|------------------------------|-----------------|---------|-------------------------|------|------------------|------------------|-----------------------------------------|--------------------|----------------|----------------|
|                              | 2014            | 2013    | 2014                    | 2013 | 2014             | 2013             | 2014                                    | 2013               | 2014           | 2013           |
|                              |                 |         | (%)                     | (%)  |                  |                  |                                         |                    |                |                |
| Footwear Tech 1530 Co., Ltd. | 400,000         | 400,000 | 100                     | 100  | 467,968          | 467,968          | (467,968)                               | (467,968)          | -              | -              |
| International Curity         |                 |         |                         |      |                  |                  |                                         |                    |                |                |
| Footwear Co., Ltd.           | 350,000         | 350,000 | 100                     | 100  | 349,999          | 349,999          | (349,999)                               | (349,999)          | -              | -              |
| Kabinburi Pan Asia           |                 |         |                         |      |                  |                  |                                         |                    |                |                |
| Footwear Co., Ltd.           | 350,000         | 350,000 | 100                     | 100  | 443,523          | 443,523          | (443,523)                               | (443,523)          | -              | -              |
| Excellent Rubber Co., Ltd.   | 370,000         | 370,000 | 100                     | 100  | 385,887          | 385,887          | (385,887)                               | (385,887)          | -              | -              |
| Phimai Footwear Co., Ltd.    | 100,000         | 100,000 | 100                     | 100  | 115,969          | 115,969          | (115,969)                               | (115,969)          | -              | -              |
| WBLP Co., Ltd.               | 30,000          | 30,000  | 100                     | 100  | 43,371           | 43,371           | -                                       | -                  | 43,371         | 43,371         |
| Pantech R&D Co., Ltd.        | 150,000         | 150,000 | 100                     | 100  | 149,998          | 149,998          | (149,998)                               | (149,998)          | -              | -              |
| Innovation Nakornluang       |                 |         |                         |      |                  |                  |                                         |                    |                |                |
| Footwear Co., Ltd.           | 350,150         | 350,150 | 96                      | 96   | 264,290          | 264,290          | (264,290)                               | (264,290)          | -              | -              |
| Pontex (Thailand) Co., Ltd.  | 60,800          | 60,800  | 93                      | 93   | 122,112          | 122,112          | (23,000)                                | (23,000)           | 99,112         | 99,112         |
| <b>Total</b>                 |                 |         |                         |      | <b>2,343,117</b> | <b>2,343,117</b> | <b>(2,200,634)</b>                      | <b>(2,200,634)</b> | <b>142,483</b> | <b>142,483</b> |

## 15. Investments in associates

### 15.1 Details of associates:

(Unit: Thousand Baht)

| Company's name                 | Nature of business                                | Country of incorporation | Consolidated financial statements |       |                |                |                                         |               |               |               |
|--------------------------------|---------------------------------------------------|--------------------------|-----------------------------------|-------|----------------|----------------|-----------------------------------------|---------------|---------------|---------------|
|                                |                                                   |                          | Shareholding percentage           |       | Cost           |                | Carrying amounts based on equity method |               |               |               |
|                                |                                                   |                          | 2014                              | 2013  | 2014           | 2013           | 2014                                    | 2013          |               |               |
|                                |                                                   |                          | (%)                               | (%)   |                |                |                                         |               |               |               |
| PA Capital Co., Ltd.           | Grocery stores and petrol station                 | Thailand                 | 43.67                             | 43.67 | 375,157        | 375,157        | -                                       | -             | -             | -             |
| Nongchang Rubber Co., Ltd.     | Ceased operations                                 | Thailand                 | 28.82                             | 28.82 | 12,000         | 12,000         | -                                       | -             | -             | -             |
| Uthai Bangkok Rubber Co., Ltd. | Ceased operations                                 | Thailand                 | 28.82                             | 28.82 | 8,999          | 8,999          | -                                       | -             | -             | -             |
| Aphakorn Industrial Co., Ltd.  | Manufacture and repair of plastic injection molds | Thailand                 | 33.36                             | 33.36 | 11,672         | 11,672         | 12,708                                  | 11,614        | 12,708        | 11,614        |
| Advantage Footwear Co., Ltd.   | Manufacture of footwear and footwear parts        | Thailand                 | 47.24                             | 47.24 | 89,415         | 89,415         | 34,986                                  | 26,583        | 34,986        | 26,583        |
| P.L. John Industries Co., Ltd. | In the process of liquidation                     | Thailand                 | 19.25                             | 19.25 | 7,700          | 7,700          | -                                       | -             | -             | -             |
| <b>Total</b>                   |                                                   |                          |                                   |       | <b>504,943</b> | <b>504,943</b> | <b>47,694</b>                           | <b>38,197</b> | <b>47,694</b> | <b>38,197</b> |

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(Unit: Thousand Baht)

| Company's name               | Nature of business                         | Country of incorporation | Separate financial statements |          |        |        |                                         |          |                                             |      |
|------------------------------|--------------------------------------------|--------------------------|-------------------------------|----------|--------|--------|-----------------------------------------|----------|---------------------------------------------|------|
|                              |                                            |                          | Shareholding percentage       |          | Cost   |        | Allowance for impairment of investments |          | Carrying amounts based on cost method - net |      |
|                              |                                            |                          | 2014 (%)                      | 2013 (%) | 2014   | 2013   | 2014                                    | 2013     | 2014                                        | 2013 |
| PA Capital Co., Ltd.         | Grocery stores and petrol station          | Thailand                 | 5.62                          | 5.62     | 64,559 | 64,559 | (64,559)                                | (64,559) | -                                           | -    |
| Advantage Footwear Co., Ltd. | Manufacture of footwear and footwear parts | Thailand                 | 32.38                         | -        | 17,328 | -      | -                                       | -        | 17,328                                      | -    |
| Total                        |                                            |                          |                               |          | 81,887 | 64,559 | (64,559)                                | (64,559) | 17,328                                      | -    |

In September and October 2014, two subsidiaries have settled a debt of Baht 17.3 million with 1,188,475 shares of the common stock of Advantage Footwear Co., Ltd., which represents 32.38% of the issued and paid-up share capital of that company.

## 15.2 Share of profit

During the years, the Company has recognised its share of profit from investments in associates in the consolidated financial statements as follows:

(Unit: Thousand Baht)

| Company's name                | Consolidated financial statements                              |       |
|-------------------------------|----------------------------------------------------------------|-------|
|                               | Share of profit from investments in associates during the year |       |
|                               | 2014                                                           | 2013  |
| Aphakorn Industrial Co., Ltd. | 1,094                                                          | 1,054 |
| Advantage Footwear Co., Ltd.  | 8,403                                                          | 5,742 |
| Total                         | 9,497                                                          | 6,796 |

## 15.3 Investment in associates with capital deficit

The Company and its subsidiaries recognised share of losses from investments in 4 associates, until the value of the investments approached zero. Subsequent losses incurred by those associates have not been recognised in the accounts of the Company and its subsidiaries since the Company and its subsidiaries have no obligations, whether legal or constructive, to make any payments on behalf of those associates.

Partial of investments in associates at cost of Baht 375 million was investment in PA Capital Co., Ltd. ("the associate"), the Company did not obtain the financial statements for the year ended 31 December 2014 of the associate and subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2013, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements, even though it has subsidiaries and associates. However, the Company recorded investment in this associate under the equity method as equal to zero.

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## 15.4 Summarised financial information of associates

Financial information of the associates is summarised below.

(Unit: Million Baht)

| Company's name                 | Paid-up capital<br>as at |       | Total assets<br>as at |      | Total liabilities<br>as at |      | Total revenues<br>for the years<br>ended |      | Profit (loss)<br>for the years<br>ended |       |
|--------------------------------|--------------------------|-------|-----------------------|------|----------------------------|------|------------------------------------------|------|-----------------------------------------|-------|
|                                | 31 December              |       | 31 December           |      | 31 December                |      | 31 December                              |      | 31 December                             |       |
|                                | 2014                     | 2013  | 2014                  | 2013 | 2014                       | 2013 | 2014                                     | 2013 | 2014                                    | 2013  |
| PA Capital Co., Ltd.           | *                        | 1,054 | *                     | 146  | *                          | 588  | *                                        | 87   | *                                       | (227) |
| Nongchang Rubber Co., Ltd.     | 40                       | 40    | 3                     | 3    | 57                         | 57   | 1                                        | 1    | 1                                       | 1     |
| Uthai Bangkok Rubber Co., Ltd. | 30                       | 30    | 3                     | 4    | 49                         | 49   | 1                                        | 1    | 1                                       | 1     |
| Aphakorn Industrial Co., Ltd.  | 22                       | 22    | 38                    | 43   | 7                          | 12   | 30                                       | 31   | 3                                       | 3     |
| Advantage Footwear Co., Ltd.   | 367                      | 367   | 99                    | 82   | 28                         | 28   | 253                                      | 253  | 18                                      | 12    |

\* The Company did not obtain the financial statements of PA Capital Co., Ltd. as discussed in Note 15.3.

P.L. John Industries Co., Ltd. is in the process of liquidation as discussed in Note 15.1.

## 16. Investments in related parties

Details of investment in related parties are as follows:

(Unit : Thousand Baht)

| Company's name                           | Consolidated financial statements |                |                                               |                |              |              |
|------------------------------------------|-----------------------------------|----------------|-----------------------------------------------|----------------|--------------|--------------|
|                                          | Cost                              |                | Allowance for<br>impairment of<br>investments |                | Net          |              |
|                                          | 2014                              | 2013           | 2014                                          | 2013           | 2014         | 2013         |
| Sahapat Properties Co., Ltd              | 500                               | 500            | -                                             | (500)          | 500          | -            |
| Nutrition House Co., Ltd                 | 13,598                            | 12,500         | (8,232)                                       | (12,500)       | 5,366        | -            |
| Thai Takaya Co., Ltd                     | 2,000                             | 2,000          | -                                             | -              | 2,000        | 2,000        |
| Pan Long John Co., Ltd                   | 1,750                             | 1,750          | (1,631)                                       | -              | 119          | 1,750        |
| Natural Art and Technology Co., Ltd      | 1,000                             | 1,000          | -                                             | (1,000)        | 1,000        | -            |
| Barnpan Engineering and Holding Co., Ltd | 130,000                           | 130,000        | (130,000)                                     | (130,000)      | -            | -            |
| Pancomp International Co., Ltd           | 2,000                             | 2,000          | (2,000)                                       | (2,000)        | -            | -            |
| <b>Total</b>                             | <b>150,848</b>                    | <b>149,750</b> | <b>141,863</b>                                | <b>146,000</b> | <b>8,985</b> | <b>3,750</b> |

*Advantage Footwear*



*[Signature]*

(Unit : Thousand Baht)

| Company's name              | Separate financial statements |      |                                         |      |       |      |
|-----------------------------|-------------------------------|------|-----------------------------------------|------|-------|------|
|                             | Cost                          |      | Allowance for impairment of investments |      | Net   |      |
|                             | 2014                          | 2013 | 2014                                    | 2013 | 2014  | 2013 |
| Sahapat Properties Co., Ltd | 1,050                         | -    | -                                       | -    | 1,050 | -    |
| Nutrition House Co., Ltd    | 4,268                         | -    | -                                       | -    | 4,268 | -    |
| Thai Takaya Co., Ltd        | 2,308                         | -    | -                                       | -    | 2,308 | -    |
| Pan Long John Co., Ltd      | 119                           | -    | -                                       | -    | 119   | -    |
| Total                       | 7,745                         | -    | -                                       | -    | 7,745 | -    |

In September 2014, an associate has settled a debt of Baht 1.1 million to a subsidiary with the common stock of a related company.

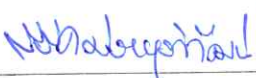

In December 2014, a subsidiary has settled a debt of Baht 7.7 million with the common stock of four related companies.



#### 17. Investment properties

The net book value of investment properties as at 31 December 2014 is presented below.

(Unit: Thousand Baht)

|                                      | Consolidated/ Separate financial statements |          |         |
|--------------------------------------|---------------------------------------------|----------|---------|
|                                      | Land and land improvement                   | Building | Total   |
| As at 31 December 2014               |                                             |          |         |
| Cost                                 | 101,281                                     | 9,246    | 110,527 |
| <u>Less</u> Accumulated depreciation | (145)                                       | (6,049)  | (6,194) |
| <u>Less</u> Provision for impairment | -                                           | (2,851)  | (2,851) |
| Net book value                       | 101,136                                     | 346      | 101,482 |



A reconciliation of the net book value of investment properties for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

|                                                  | Consolidated/ Separate<br>financial statements |             |
|--------------------------------------------------|------------------------------------------------|-------------|
|                                                  | <u>2014</u>                                    | <u>2013</u> |
| Net book value at beginning of year              | -                                              | -           |
| Transfer from assets classified as held for sale | 95,808                                         | -           |
| Additions                                        | 5,800                                          | -           |
| Depreciation charged                             | (126)                                          | -           |
| Net book value at end of year                    | <u>101,482</u>                                 | <u>-</u>    |

The fair value of the land and construction thereon as at 31 December 2014 were Baht 152.5 million, which have been determined based on valuations performed by an accredited independent valuer. The fair value has been determined based on market prices.

As at 31 December 2014, the Company has mortgaged investment properties with net book value amounting to Baht 94 million as collateral against loan from related person.

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## 18. Property, plant and equipment

(Unit: Thousand Baht)

| Cost                                                                            | Consolidated financial statements |                                    |                         |                                          |                |                |                                                  | Total     |
|---------------------------------------------------------------------------------|-----------------------------------|------------------------------------|-------------------------|------------------------------------------|----------------|----------------|--------------------------------------------------|-----------|
|                                                                                 | Land and land improvement         | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Infrastructure | Assets under installation and under construction |           |
| 1 January 2013                                                                  | 26,057                            | 91,557                             | 1,533,060               | 309,562                                  | 15,026         | 8,371          | 7,062                                            | 1,990,695 |
| Additions                                                                       | -                                 | 766                                | 3,323                   | 1,146                                    | 4              | 8              | 6,213                                            | 11,460    |
| Disposals / written off                                                         | (1,855)                           | (10,448)                           | (480,905)               | (108,145)                                | (5,055)        | (14,294)       | (2,864)                                          | (623,566) |
| Transfers in (out)                                                              | -                                 | 1,382                              | 5,911                   | 1,462                                    | -              | -              | (8,755)                                          | -         |
| Transfers from (transfers to) assets classified as held for sale                | (1,550)                           | (3,113)                            | 315,912                 | 40,187                                   | 282            | 12,775         | -                                                | 364,493   |
| Transfers out as a result of disposal of investment classified as held for sale | -                                 | (5,097)                            | (57,197)                | (8,474)                                  | -              | (660)          | (935)                                            | (72,360)  |
| 31 December 2013                                                                | 22,652                            | 75,047                             | 1,320,104               | 235,741                                  | 10,257         | 6,200          | 721                                              | 1,670,722 |
| Additions                                                                       | -                                 | 606                                | 1,537                   | 1,311                                    | -              | 756            | 4,171                                            | 8,381     |
| Disposals / written off                                                         | (1,265)                           | (15,958)                           | (168,906)               | (47,586)                                 | (10)           | (1,248)        | (65)                                             | (235,038) |
| Transfers in (out)                                                              | -                                 | 1,753                              | -                       | 2,313                                    | -              | -              | (4,066)                                          | -         |
| 31 December 2014                                                                | 21,387                            | 61,448                             | 1,152,735               | 191,779                                  | 10,247         | 5,708          | 761                                              | 1,444,065 |



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(Unit: Thousand Baht)

Consolidated financial statements

|                                                                                 | Land and land improvement | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Infrastructure | Assets under installation and under construction | Total     |
|---------------------------------------------------------------------------------|---------------------------|------------------------------------|-------------------------|------------------------------------------|----------------|----------------|--------------------------------------------------|-----------|
| <b>Accumulated depreciation</b>                                                 |                           |                                    |                         |                                          |                |                |                                                  |           |
| 1 January 2013                                                                  | 247                       | 56,706                             | 1,355,983               | 286,088                                  | 12,443         | 7,790          | 5                                                | 1,719,262 |
| Depreciation for the year                                                       | -                         | 2,592                              | 36,452                  | 4,879                                    | 307            | 152            | -                                                | 44,382    |
| Depreciation of disposals / written off                                         | -                         | (3,634)                            | (458,734)               | (105,100)                                | (4,290)        | (14,296)       | -                                                | (586,054) |
| Transfers from (transfers out) assets classified as held for sale               | -                         | (1,706)                            | 289,600                 | 36,203                                   | 281            | 12,775         | -                                                | 337,153   |
| Transfers out as a result of disposal of investment classified as held for sale | -                         | (2,864)                            | (50,533)                | (7,856)                                  | -              | (660)          | -                                                | (61,913)  |
| 31 December 2013                                                                | 247                       | 51,094                             | 1,172,768               | 214,214                                  | 8,741          | 5,761          | 5                                                | 1,452,830 |
| Depreciation for the year                                                       | -                         | 2,111                              | 7,657                   | 2,079                                    | 99             | 129            | -                                                | 12,075    |
| Depreciation of disposals / written off                                         | -                         | (9,394)                            | (154,436)               | (47,350)                                 | (10)           | (1,068)        | -                                                | (212,258) |
| 31 December 2014                                                                | 247                       | 43,811                             | 1,025,989               | 168,943                                  | 8,830          | 4,822          | 5                                                | 1,252,647 |



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(Unit: Thousand Baht)

## Consolidated financial statements

|                                                                                                               | Furniture,                |                                    |                         |                                          | Assets under   |                |                                     | Total    |
|---------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------|-------------------------|------------------------------------------|----------------|----------------|-------------------------------------|----------|
|                                                                                                               | Land and land improvement | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Infrastructure | installation and under construction |          |
| <b>Provision for impairment</b>                                                                               |                           |                                    |                         |                                          |                |                |                                     |          |
| 1 January 2013                                                                                                | 3,010                     | 5,780                              | 31,354                  | 38                                       | -              | -              | -                                   | 40,182   |
| Increase during the year                                                                                      | -                         | 3,635                              | 90,159                  | 1,422                                    | -              | 180            | 65                                  | 95,461   |
| Decrease during the year                                                                                      | (3,010)                   | -                                  | (18,836)                | (23)                                     | -              | -              | -                                   | (21,869) |
| Transfer from assets classified as held for sale                                                              | -                         | -                                  | 10,594                  | -                                        | -              | -              | -                                   | 10,594   |
| 31 December 2013                                                                                              | -                         | 9,415                              | 113,271                 | 1,437                                    | -              | 180            | 65                                  | 124,368  |
| Increase during the year                                                                                      | -                         | -                                  | 5,385                   | 54                                       | -              | -              | -                                   | 5,439    |
| Decrease during the year                                                                                      | -                         | (6,563)                            | (14,158)                | (142)                                    | -              | (180)          | (65)                                | (21,108) |
| 31 December 2014                                                                                              | -                         | 2,852                              | 104,498                 | 1,349                                    | -              | -              | -                                   | 108,699  |
| <b>Investments classified as held for sale</b>                                                                |                           |                                    |                         |                                          |                |                |                                     |          |
| 31 December 2013                                                                                              | -                         | 3,864                              | 5,055                   | 1,472                                    | -              | 7              | 496                                 | 10,894   |
| 31 December 2014                                                                                              | -                         | 3,864                              | 5,055                   | 1,472                                    | -              | 7              | 496                                 | 10,894   |
| <b>Net book value</b>                                                                                         |                           |                                    |                         |                                          |                |                |                                     |          |
| 31 December 2013                                                                                              | 22,405                    | 10,674                             | 29,010                  | 18,618                                   | 1,516          | 252            | 155                                 | 82,630   |
| 31 December 2014                                                                                              | 21,140                    | 10,921                             | 17,193                  | 20,015                                   | 1,417          | 879            | 260                                 | 71,825   |
| <b>Depreciation for the year</b>                                                                              |                           |                                    |                         |                                          |                |                |                                     |          |
| 2013 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses) |                           |                                    |                         |                                          |                |                |                                     | 44,382   |
| 2014 (Baht 6 million included in manufacturing cost, and the balance in selling and administrative expenses)  |                           |                                    |                         |                                          |                |                |                                     | 12,075   |



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(Unit: Thousand Baht)

## Separate financial statements

|                                       | Furniture, fixtures and office equipment |                                    |                         |                               | Motor vehicles | Infrastructure | Assets under installation and under construction |                                                  | Total |
|---------------------------------------|------------------------------------------|------------------------------------|-------------------------|-------------------------------|----------------|----------------|--------------------------------------------------|--------------------------------------------------|-------|
|                                       | Land and land improvement                | Buildings and building improvement | Machinery and equipment | fixtures and office equipment |                |                | Assets under installation and under construction | Assets under installation and under construction |       |
| <b>Cost</b>                           |                                          |                                    |                         |                               |                |                |                                                  |                                                  |       |
| 1 January 2013                        | 111,004                                  | 73,888                             | 497,098                 | 61,336                        | 8,065          | 1,519          | 795                                              | 753,705                                          |       |
| Additions                             | -                                        | -                                  | 2,128                   | 71                            | -              | -              | 2,392                                            | 4,591                                            |       |
| Disposals/written off                 | -                                        | (6,036)                            | (187,837)               | (11,711)                      | (2,508)        | (1,519)        | (2,864)                                          | (212,475)                                        |       |
| Transfers in (out)                    | -                                        | -                                  | 323                     | -                             | -              | -              | (323)                                            | -                                                |       |
| 31 December 2013                      | 111,004                                  | 67,852                             | 311,712                 | 49,696                        | 5,557          | -              | -                                                | 545,821                                          |       |
| Additions                             | -                                        | 606                                | 1,235                   | 534                           | -              | 756            | 4,171                                            | 7,302                                            |       |
| Disposals/written off                 | (12,350)                                 | -                                  | (33,301)                | (3,431)                       | -              | -              | -                                                | (49,082)                                         |       |
| Transfers in (out)                    | -                                        | 1,753                              | -                       | 2,313                         | -              | -              | (4,066)                                          | -                                                |       |
| 31 December 2014                      | 98,654                                   | 70,211                             | 279,646                 | 49,112                        | 5,557          | 756            | 105                                              | 504,041                                          |       |
| <b>Accumulated depreciation</b>       |                                          |                                    |                         |                               |                |                |                                                  |                                                  |       |
| 1 January 2013                        | -                                        | 5,210                              | 384,085                 | 57,343                        | 5,909          | 1,491          | -                                                | 454,038                                          |       |
| Depreciation for the year             | -                                        | 2,318                              | 16,917                  | 1,621                         | 788            | 31             | -                                                | 21,675                                           |       |
| Depreciation of disposals/written off | -                                        | (997)                              | (170,432)               | (11,348)                      | (1,884)        | (1,522)        | -                                                | (186,183)                                        |       |
| 31 December 2013                      | -                                        | 6,531                              | 230,570                 | 47,616                        | 4,813          | -              | -                                                | 289,530                                          |       |
| Depreciation for the year             | -                                        | 2,821                              | 2,301                   | 1,087                         | 589            | 36             | -                                                | 6,834                                            |       |
| Depreciation of disposals/written off | -                                        | -                                  | (28,597)                | (3,401)                       | -              | -              | -                                                | (31,998)                                         |       |
| 31 December 2014                      | -                                        | 9,352                              | 204,274                 | 45,302                        | 5,402          | 36             | -                                                | 264,366                                          |       |



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(Unit: Thousand Baht)

## Separate financial statements

|                                                                                                               | Land and land improvement | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Infrastructure | Assets under installation and under construction | Total   |
|---------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------|-------------------------|------------------------------------------|----------------|----------------|--------------------------------------------------|---------|
| <b>Provision for impairment</b>                                                                               |                           |                                    |                         |                                          |                |                |                                                  |         |
| 1 January 2013                                                                                                | 3,010                     | -                                  | -                       | -                                        | -              | -              | -                                                | 3,010   |
| Increase during the year                                                                                      | -                         | -                                  | 71,427                  | -                                        | -              | -              | -                                                | 71,427  |
| Decrease during the year                                                                                      | (3,010)                   | -                                  | -                       | -                                        | -              | -              | -                                                | (3,010) |
| 31 December 2013                                                                                              | -                         | -                                  | 71,427                  | -                                        | -              | -              | -                                                | 71,427  |
| Increase during the year                                                                                      | -                         | -                                  | 3,579                   | -                                        | -              | -              | -                                                | 3,579   |
| Decrease during the year                                                                                      | -                         | -                                  | (4,370)                 | -                                        | -              | -              | -                                                | (4,370) |
| 31 December 2014                                                                                              | -                         | -                                  | 70,636                  | -                                        | -              | -              | -                                                | 70,636  |
| <b>Net book value</b>                                                                                         |                           |                                    |                         |                                          |                |                |                                                  |         |
| 31 December 2013                                                                                              | 111,004                   | 61,321                             | 9,715                   | 2,080                                    | 744            | -              | -                                                | 184,864 |
| 31 December 2014                                                                                              | 98,654                    | 60,859                             | 4,736                   | 3,810                                    | 155            | 720            | 105                                              | 169,039 |
| <b>Depreciation for the year</b>                                                                              |                           |                                    |                         |                                          |                |                |                                                  |         |
| 2013 (Baht 17 million included in manufacturing cost, and the balance in selling and administrative expenses) |                           |                                    |                         |                                          |                |                |                                                  | 21,675  |
| 2014 (Baht 7 million included in manufacturing cost, and the balance in selling and administrative expenses)  |                           |                                    |                         |                                          |                |                |                                                  | 6,834   |



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As at 31 December 2014, the subsidiary had machinery, vehicles and equipment with net book value of Baht 3 million (2013: Baht 4 million) which were acquired under finance lease agreements.

As at 31 December 2014, certain items of plant and equipment which were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 797 million (2013: Baht 1,037 million) (Separate financial statements: Baht 77 million (2013: Baht 175 million)).

The Company and its subsidiaries have pledged their property, plant and equipment amounting to approximately Baht 21 million (2013: Baht 39 million) as collateral against credit facilities received from financial institutions (Separate financial statements: Baht 145 million (2013: Baht 173 million)).

#### 19. Goodwill

|                                            | (Unit: Thousand Baht) |                 |
|--------------------------------------------|-----------------------|-----------------|
|                                            | Consolidated          |                 |
|                                            | financial statements  |                 |
|                                            | <u>2014</u>           | <u>2013</u>     |
| Goodwill                                   | 12,047                | 12,047          |
| Less: Provision for impairment of goodwill | <u>(12,047)</u>       | <u>(12,047)</u> |
| Net                                        | <u>-</u>              | <u>-</u>        |

#### 20. Bank overdrafts and short-term loans from financial institutions

|                        |               | (Unit: Thousand Baht) |                |                      |                |
|------------------------|---------------|-----------------------|----------------|----------------------|----------------|
|                        |               | Consolidated          |                | Separate             |                |
|                        | Interest rate | financial statements  |                | financial statements |                |
|                        | (% per annum) | <u>2014</u>           | <u>2013</u>    | <u>2014</u>          | <u>2013</u>    |
| Bank overdrafts        | MOR, MLR      | 15,448                | 10,984         | 10,727               | 4,748          |
| Short-term loans from  |               |                       |                |                      |                |
| financial institutions | 18            | 124,000               | 196,000        | 34,000               | 106,000        |
| Packing credit         | 18            | <u>13,270</u>         | <u>13,270</u>  | <u>-</u>             | <u>-</u>       |
| Total                  |               | <u>152,718</u>        | <u>220,254</u> | <u>44,727</u>        | <u>110,748</u> |

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Short-term loans from financial institutions of the Company are secured by the mortgage of land and construction thereon. Bank overdrafts and short-term loans from financial institutions of subsidiaries are secured by the guarantees of the Company, the pledge of fixed deposits and machines, and the mortgage of land and construction thereon of subsidiaries as described in Notes 12 and 18 to the financial statements.

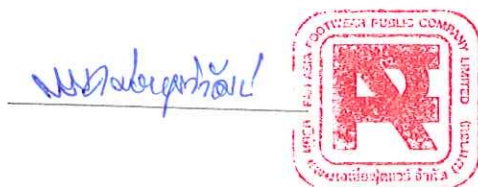
## 21. Trade and other payables

|                                                           | (Unit: Thousand Baht) |                |                      |               |
|-----------------------------------------------------------|-----------------------|----------------|----------------------|---------------|
|                                                           | Consolidated          |                | Separate             |               |
|                                                           | financial statements  |                | financial statements |               |
|                                                           | <u>2014</u>           | <u>2013</u>    | <u>2014</u>          | <u>2013</u>   |
| Trade accounts payable - related parties                  | 31,519                | 38,457         | 4,307                | 15,965        |
| Trade accounts payable - unrelated parties                | 44,827                | 49,193         | 898                  | 5,904         |
| Other payables - related parties                          | 6,249                 | 6,316          | 5,220                | 6,466         |
| Other payables - unrelated parties                        | 2,353                 | 6,056          | 1,952                | 5,437         |
| Accrued expenses - related parties                        | 19,655                | 25,835         | 6,902                | 13,248        |
| Accrued expenses - unrelated parties                      | 117,735               | 101,008        | 6,984                | 8,429         |
| Advance received for share subscription - related parties | 20,500                | 20,644         | 20,500               | 20,644        |
| Unearned revenue - unrelated parties                      | 1,166                 | 3,187          | 35                   | 2,035         |
| <b>Total</b>                                              | <u>244,004</u>        | <u>250,696</u> | <u>46,798</u>        | <u>78,128</u> |

## 22. Long-term loans

| Loan                              | Interest rate<br>(% per annum) | Repayment schedule                                         | (Unit: Thousand Baht) |               |                      |               |
|-----------------------------------|--------------------------------|------------------------------------------------------------|-----------------------|---------------|----------------------|---------------|
|                                   |                                |                                                            | Consolidated          |               | Separate             |               |
|                                   |                                |                                                            | financial statements  |               | financial statements |               |
|                                   |                                |                                                            | <u>2014</u>           | <u>2013</u>   | <u>2014</u>          | <u>2013</u>   |
| 1                                 | MLR                            | Monthly installments as from January 2013 - May 2017       | -                     | 39,315        | -                    | 39,315        |
| 2                                 | MLR                            | Monthly installments as from February 2012 - November 2014 | -                     | 458           | -                    | -             |
| 3                                 | 18.00                          | Monthly installments as from April 2009 - January 2011     | 43,405                | 43,405        | -                    | -             |
| <b>Total</b>                      |                                |                                                            | 43,405                | 83,178        | -                    | 39,315        |
| Less: Portion due within one year |                                |                                                            | -                     | (11,702)      | -                    | (11,244)      |
| Classified as current liability   |                                |                                                            | (43,405)              | (43,405)      | -                    | -             |
| <b>Long-term loans, net</b>       |                                |                                                            | <u>-</u>              | <u>28,071</u> | <u>-</u>             | <u>28,071</u> |

As at 31 December 2014, the long-term credit facilities of subsidiary which has not yet been drawn down amounted to Baht 4 million (2013: Baht 2 million).





During 2010, a subsidiary defaulted on debt repayment under a debt restructuring agreement and was sued by a commercial bank in November 2010. The Company therefore presented the balance of the loans under the debt restructuring agreement as current liabilities in the statement of financial position. The loans under the debt restructuring agreement are secured by the Company.

### 23. Provisions

(Unit: Thousand Baht)

|                          | Consolidated financial statements |                            |                                             |           |
|--------------------------|-----------------------------------|----------------------------|---------------------------------------------|-----------|
|                          | Provisions from guarantee         | Provisions from litigation | Provisions for short-term employee benefits | Total     |
| 1 January 2013           | 388,097                           | 10,424                     | 11,163                                      | 409,684   |
| Increase during the year | -                                 | 31,321                     | -                                           | 31,321    |
| Utilised                 | (80,000)                          | -                          | (11,163)                                    | (91,163)  |
| Reversal of provisions   | (307,856)                         | -                          | -                                           | (307,856) |
| 31 December 2013         | 241                               | 41,745                     | -                                           | 41,986    |
| Increase during the year | -                                 | 6,484                      | -                                           | 6,484     |
| Reversal of provisions   | -                                 | (920)                      | -                                           | (920)     |
| 31 December 2014         | 241                               | 47,309                     | -                                           | 47,550    |
| <b>2014</b>              |                                   |                            |                                             |           |
| Current                  | -                                 | 17,685                     | -                                           | 17,685    |
| Non-current              | 241                               | 29,624                     | -                                           | 29,865    |
|                          | 241                               | 47,309                     | -                                           | 47,550    |
| <b>2013</b>              |                                   |                            |                                             |           |
| Current                  | -                                 | -                          | -                                           | -         |
| Non-current              | 241                               | 41,745                     | -                                           | 41,986    |
|                          | 241                               | 41,745                     | -                                           | 41,986    |

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(Unit: Thousand Baht)

|                          | Separate financial statements   |                                  |                                                      |           |
|--------------------------|---------------------------------|----------------------------------|------------------------------------------------------|-----------|
|                          | Provisions<br>from<br>guarantee | Provisions<br>from<br>litigation | Provisions for<br>short-term<br>employee<br>benefits | Total     |
| 1 January 2013           | 561,435                         | 10,424                           | 11,163                                               | 583,022   |
| Increase during the year | -                               | 19,200                           | -                                                    | 19,200    |
| Utilised                 | (80,000)                        | -                                | (11,163)                                             | (91,163)  |
| Reversal of provisions   | (307,856)                       | -                                | -                                                    | (307,856) |
| 31 December 2013         | 173,579                         | 29,624                           | -                                                    | 203,203   |
| 31 December 2014         | 173,579                         | 29,624                           | -                                                    | 203,203   |
| <b>2014</b>              |                                 |                                  |                                                      |           |
| Current                  | 36,119                          | -                                | -                                                    | 36,119    |
| Non-current              | 137,460                         | 29,624                           | -                                                    | 167,084   |
|                          | 173,579                         | 29,624                           | -                                                    | 203,203   |
| <b>2013</b>              |                                 |                                  |                                                      |           |
| Current                  | -                               | -                                | -                                                    | -         |
| Non-current              | 173,579                         | 29,624                           | -                                                    | 203,203   |
|                          | 173,579                         | 29,624                           | -                                                    | 203,203   |

The Company was sued by a commercial bank as a result of its guarantee of credit facilities provided to Ban Pan Engineering and Holding Co., Ltd. which defaulted on its repayment of debts. On 4 December 2003 and 25 December 2008, the Court of First Instance and Appeal Court ordered the Company and a related company to pay such debts. Subsequently, on 4 January 2010, the Company had restructured its debts with Thai Assets Management Corporation ("TAMC"). Under the terms of the restructuring, the Company has to pay a total of Baht 360 million, comprised of principal of Baht 288 million and interest of Baht 72 million, and is to make additional payment if the Company's cash inflows exceed the provided financial projections (excluding cash flows from sales of land, building, equipment, share capital, investment and dividend received), although total debt settlement (excluding new interest) will not exceed Baht 540 million.

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In the fourth quarter of 2012, the Company did not make due debt repayment because TAMC had ceased its operation and transferred all assets to Bangkok Commercial Asset Management ("BAM"), but the Company had not received any notice of this transfer from TAMC which cause indecision in the settlements. The Company's management sent a letter to BAM asking for information regarding the repayment procedures after debt transferring. However, BAM has yet to provide clarification. Thus, the Company classified such provision of Baht 380 million as "Liabilities from guarantee defaulted debt" presented in current liabilities as at 31 December 2012.

On 18 December 2013, the Company entered into the debt restructuring agreement with BAM. Under the terms of the agreement, the Company had to pay a total of Baht 80 million within 31 January 2014. The Company has already paid such debts in full in December 2013. Consequently on 19 January 2014, BAM issued a letter to the Company to confirm that the Company had completed settlement under the terms of the debt restructuring agreement and BAM agreed not to exercise the right to proceed with bankruptcy case and/or execute the Company's other assets. Therefore, the Company reversed the outstanding liabilities arising from its guarantee of defaulted debt and accrued interest amounting to Baht 314 million and recorded this transaction as "Gain on debt restructuring" in profit or loss of the year 2013.

#### 24. Statutory reserve

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

#### 25. Expenses by nature

Significant expenses classified by nature are as follows:

|                                            | (Unit: Thousand Baht) |                      |                      |                      |
|--------------------------------------------|-----------------------|----------------------|----------------------|----------------------|
|                                            | Consolidated          |                      | Separate             |                      |
|                                            | financial statements  | financial statements | financial statements | financial statements |
|                                            | <u>2014</u>           | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
| Salaries, wages and other employees        |                       |                      |                      |                      |
| benefit expenses                           | 159,375               | 445,219              | 13,562               | 320,569              |
| Depreciation and amortisation              | 12,745                | 41,412               | 7,503                | 22,581               |
| Allowance for doubtful accounts (reversal) | 1,851                 | 33,969               | (48,520)             | 130,988              |
| Impairment loss on investments (reversal)  | (4,137)               | 94                   | 3,400                | 26,592               |
| Impairment loss on assets                  | 9,234                 | 73,591               | 7,374                | 71,268               |
| Raw materials and consumables used         | 259,031               | 760,583              | 38,335               | 403,597              |
| Changes in inventories of finished goods   |                       |                      |                      |                      |
| and work in progress                       | (26,150)              | (148,098)            | (33,848)             | (80,721)             |

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## 26. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

|                                                                               | (Unit: Thousand Baht) |               |                      |               |
|-------------------------------------------------------------------------------|-----------------------|---------------|----------------------|---------------|
|                                                                               | Consolidated          |               | Separate             |               |
|                                                                               | financial statements  |               | financial statements |               |
|                                                                               | <u>2014</u>           | <u>2013</u>   | <u>2014</u>          | <u>2013</u>   |
| <b>Current income tax:</b>                                                    |                       |               |                      |               |
| Current income tax charge                                                     | 684                   | 426           | -                    | -             |
| <b>Deferred tax:</b>                                                          |                       |               |                      |               |
| Relating to origination and reversal of temporary differences                 | 1,221                 | 56,486        | 182                  | 47,095        |
| <b>Income tax expenses reported in the statements of comprehensive income</b> | <u>1,905</u>          | <u>56,912</u> | <u>182</u>           | <u>47,095</u> |

Reconciliation between accounting profit and income tax expenses is shown below.

|                                                                                                                             | (Unit: Thousand Baht) |                 |                      |                 |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|----------------------|-----------------|
|                                                                                                                             | Consolidated          |                 | Separate             |                 |
|                                                                                                                             | financial statements  |                 | financial statements |                 |
|                                                                                                                             | <u>2014</u>           | <u>2013</u>     | <u>2014</u>          | <u>2013</u>     |
| Accounting profit (loss) before tax                                                                                         | 35,328                | 326,095         | 53,050               | (44,816)        |
| Applicable tax rate of the Company                                                                                          | 20%                   | 20%             | 20%                  | 20%             |
| Accounting profit (loss) before tax multiplied by income tax rate                                                           | 7,066                 | 65,219          | 10,610               | (8,963)         |
| Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient | 17,850                | 35,689          | 7,199                | 27,384          |
| Previous year tax losses which were recognised as deferred tax assets during the year                                       | (3,477)               | -               | -                    | -               |
| Effects of preparing the consolidated financial statements                                                                  | (5,970)               | (26,797)        | -                    | -               |
| Reversal of unused deferred tax assets                                                                                      | -                     | 47,781          | -                    | 46,730          |
| Share of profit from investments in associates                                                                              | (1,899)               | (1,359)         | -                    | -               |
| Effects of:                                                                                                                 |                       |                 |                      |                 |
| Tax exempt revenue                                                                                                          | (16,255)              | (110,856)       | (17,070)             | (80,138)        |
| Non-deductible expenses                                                                                                     | 8,061                 | 48,959          | 2,674                | 63,390          |
| Additional expense deductions allowed                                                                                       | (3,471)               | (1,308)         | (3,231)              | (1,308)         |
| Others                                                                                                                      | -                     | (416)           | -                    | -               |
| <b>Total</b>                                                                                                                | <u>(11,665)</u>       | <u>(63,621)</u> | <u>(17,627)</u>      | <u>(18,056)</u> |
| <b>Income tax expenses reported in the statement of comprehensive income</b>                                                | <u>1,905</u>          | <u>56,912</u>   | <u>182</u>           | <u>47,095</u>   |

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The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

|                                                    | Statements of financial position as at 31 December |              |                      |              |
|----------------------------------------------------|----------------------------------------------------|--------------|----------------------|--------------|
|                                                    | Consolidated                                       |              | Separate             |              |
|                                                    | financial statements                               |              | financial statements |              |
|                                                    | <u>2014</u>                                        | <u>2013</u>  | <u>2014</u>          | <u>2013</u>  |
| <b>Deferred tax assets</b>                         |                                                    |              |                      |              |
| Accumulated depreciation - machinery and equipment | 98                                                 | 50           | -                    | -            |
| Provision for long-term employee benefits          | 367                                                | 492          | -                    | -            |
| Unused tax loss                                    | 3,916                                              | 4,758        | -                    | -            |
| <b>Total</b>                                       | <b>4,381</b>                                       | <b>5,300</b> | <b>-</b>             | <b>-</b>     |
| <b>Deferred tax liabilities</b>                    |                                                    |              |                      |              |
| Accumulated depreciation - building                | (1,112)                                            | (810)        | (547)                | (365)        |
| <b>Total</b>                                       | <b>(1,112)</b>                                     | <b>(810)</b> | <b>(547)</b>         | <b>(365)</b> |

As at 31 December 2014, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 2,059 million (2013: Baht 2,152 million) (Separate financial statements: Baht 1,161 million (2013: Baht 1,237 million)). No deferred tax assets have been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

## 27. Earnings per share

Basic earnings (loss) per share is calculated by dividing profit (loss) for the year attributable to equity holder of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares held by outsiders in issue during the year.





## 28. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Board of Directors and Executive Board of the Company and its subsidiaries.

The one main reportable operating segment of the Company and its subsidiaries are the manufacture, distribution and export of footwear and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

For the year 2014, the Company and its subsidiaries have revenue from 2 major customers in amount of Baht 193 million (2013: Baht 424 million derived from 4 major customers).

## 29. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and their employees contribute to the fund monthly at the rate of 3% of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company and its subsidiaries contributed Baht 1 million (2013: Baht 1 million) (Separate financial statements: Nil (2013: Baht 1 million)) to the fund.

## 30. Commitments and contingent liabilities

### 30.1 Capital commitments

As at 31 December 2014, a subsidiary had capital commitments of approximately Baht 4 million relating to acquisition of machinery (2013: Nil).

### 30.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building, plant, machinery and motor vehicles. The terms of the agreements are generally between 1 and 5 years. These operating lease contracts are non-cancellable contracts.


Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

|                             | As at 31 December    |             |                      |             |
|-----------------------------|----------------------|-------------|----------------------|-------------|
|                             | Consolidated         |             | Separate             |             |
|                             | financial statements |             | financial statements |             |
|                             | <u>2014</u>          | <u>2013</u> | <u>2014</u>          | <u>2013</u> |
| Payable:                    |                      |             |                      |             |
| In up to 1 year             | 13                   | 5           | -                    | 1           |
| In over 1 and up to 5 years | 1                    | 2           | -                    | -           |

### 30.3 Guarantees

- a) The Company and its subsidiaries have obligations under its guarantees of loans and credit facilities provided to its related parties by banks and financial institutions totaling Baht 349 million (2013: Baht 349 million) (Separate financial statements: Baht 344 million (2013: Baht 344 million)).
- b) The Company and its subsidiaries have outstanding bank guarantees as follows:

(Unit: Million Baht)

|                           | As at 31 December    |             |                      |             |
|---------------------------|----------------------|-------------|----------------------|-------------|
|                           | Consolidated         |             | Separate             |             |
|                           | financial statements |             | financial statements |             |
|                           | <u>2014</u>          | <u>2013</u> | <u>2014</u>          | <u>2013</u> |
| Guarantee electricity use | 6                    | 9           | 1                    | 3           |
| Other guarantees          | 9                    | 15          | -                    | -           |

### 30.4 Legal cases

- a) The Company faced a lawsuit from alleged lay-off directors and a demand for Baht 32 million in compensation, but the Company pursued a countersuit. The Court of First Instance has ordered the Company to make payment amounting to Baht 10 million. The case is currently pending in the Appeal Court. The Company then recorded provision for the litigation at the amount ordered by the Court.
- b) The Company was sued by a commercial bank as a result of its guarantee of credit facilities provided to Innovation Nakornluang Footwear Co., Ltd., Modern Technology Component Co., Ltd. and International Curity Footwear Co., Ltd. which defaulted on their repayment of debts amounting to Baht 173 million. As at 31 December 2014, negotiations for a settlement of the case were in progress. The Company has recorded the contingent liability as provisions from guarantee for subsidiaries.

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However, on 26 January 2015, the Company and those subsidiaries entered into compromise agreements with the bank in the presence of the court. Under the terms of the agreements, payment is to be made as follows:

| Agreement | Parties                                                              | Principal payment                                                                                                                    | Original interest payment                                                      | New interest payment                                                                                                                                                                                                                                                   |
|-----------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1, 2      | Innovation Nakornluang Footwear Co., Ltd. and Pan Asia Footwear Plc. | Full amount of principal of Baht 33 million to be paid on 26 January 2015. The Company and its subsidiary have already paid in full. | The bank agreed to forgive the unpaid interest upon full payment of principal. | -                                                                                                                                                                                                                                                                      |
| 3, 4      | Modern Technology Component Co., Ltd. and Pan Asia Footwear Plc.     | Principal of Baht 14 million to be paid in monthly installments from January 2015 - December 2019, totaling 60 installments.         | Unpaid interest accrued up to 31 December 2014 is deferred.*                   | From 1 January 2015 until principal is settled in full, interest is to be paid monthly, at the Prime Rate (6.75%) started January 2015 (the difference between interest charged at a rate of 18% per annum and interest charged at the Prime Rate is to be deferred).* |
| 5         | International Curity Footwear Co., Ltd. and Pan Asia Footwear Plc.   | Principal of Baht 95 million to be paid in monthly installments from January 2015 - December 2019, totaling 60 installments.         | Unpaid interest accrued up to 31 December 2014 is deferred.*                   | From 1 January 2015 until principal is settled in full, interest is to be paid monthly, at the Prime Rate (6.75%) started January 2015 (the difference between interest charged at a rate of 18% per annum and interest charged at the Prime Rate is to be deferred).* |

In addition, the Company and its subsidiaries must comply with certain conditions as stipulated in the agreements. In the event of any breach of the agreements, whether of a condition or an installment, the Company and its subsidiaries will be considered to have defaulted on the whole agreements and all remaining debts are deemed to be due immediately.

\*If the Company and its subsidiaries are able to comply with the requirements stipulated in the agreements, the bank will forgive the accrued interest that is deferred.

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- c) In 2010, the Company sued a related company in relation to the hire of work agreement, claiming compensation of Baht 34 million, and that company countersued. The Court of First Instance dismissed the Company's suit and ordered the Company to make payment amounting to Baht 19 million plus interest charged 7.5% per annum to that related company. In addition, in July 2013 the Appeal Court affirmed the decision of the lower court. The case is currently pending in the Supreme Court. However, the Company recorded provision for the litigation amounting to Baht 19 million as ordered by court.

### 31. Financial instruments

#### 31.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts receivable, loans, restricted bank deposits, 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 and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and other receivables as stated in the statement of financial position.

##### ***Interest rate risk***

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term and long-term borrowings. Most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

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


(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2014

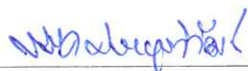
|                                                                  | Fixed interest rates |           |                        |                       | Total | Effective interest rate<br>(% per annum) |
|------------------------------------------------------------------|----------------------|-----------|------------------------|-----------------------|-------|------------------------------------------|
|                                                                  | Within 1 year        | 1-5 years | Floating interest rate | Non- interest bearing |       |                                          |
| <b>Financial assets</b>                                          |                      |           |                        |                       |       |                                          |
| Cash and cash equivalents                                        | -                    | -         | 72                     | 10                    | 82    | 0.50                                     |
| Current investments                                              | 105                  | -         | -                      | -                     | 105   | 1.05 - 2.00                              |
| Trade and other receivables                                      | -                    | -         | -                      | 128                   | 128   | -                                        |
| Short-term loans to related parties and others                   | 7                    | -         | -                      | -                     | 7     | 3.00 - 8.63                              |
| Restricted bank deposits                                         | -                    | -         | 5                      | -                     | 5     | 0.50 - 2.25                              |
|                                                                  | 112                  | -         | 77                     | 138                   | 327   |                                          |
| <b>Financial liabilities</b>                                     |                      |           |                        |                       |       |                                          |
| Bank overdrafts and short-term loans from financial institutions | 34                   | -         | 119                    | -                     | 153   | MOR, MLR, 18.00                          |
| Trade and other payables                                         | -                    | -         | -                      | 244                   | 244   | -                                        |
| Short-term loans from related parties and others                 | 100                  | -         | -                      | -                     | 100   | 4.90                                     |
| Liabilities under finance lease agreements                       | -                    | 2         | -                      | -                     | 2     | 10.48                                    |
| Long-term loans                                                  | 43                   | -         | -                      | -                     | 43    | 18.00                                    |
|                                                                  | 177                  | 2         | 119                    | 244                   | 542   |                                          |

(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2013

|                                                | Fixed interest rates |           |                        |                       | Total | Effective interest rate<br>(% per annum) |
|------------------------------------------------|----------------------|-----------|------------------------|-----------------------|-------|------------------------------------------|
|                                                | Within 1 year        | 1-5 years | Floating interest rate | Non- interest bearing |       |                                          |
| <b>Financial assets</b>                        |                      |           |                        |                       |       |                                          |
| Cash and cash equivalents                      | -                    | -         | 184                    | 11                    | 195   | 0.50 - 0.63                              |
| Current investments                            | 65                   | -         | -                      | -                     | 65    | 2.63                                     |
| Trade and other receivables                    | -                    | -         | -                      | 116                   | 116   | -                                        |
| Short-term loans to related parties and others | 9                    | -         | -                      | -                     | 9     | 3.00 - 8.63                              |
| Restricted bank deposits                       | -                    | -         | 7                      | -                     | 7     | 0.50 - 2.25                              |
| Long-term loans to related parties             | -                    | 20        | -                      | -                     | 20    | 7.50                                     |
|                                                | 74                   | 20        | 191                    | 127                   | 412   |                                          |





(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2013

|                                                                  | Fixed interest rates |           |                        |                       | Total      | Effective interest rate<br>(% per annum) |
|------------------------------------------------------------------|----------------------|-----------|------------------------|-----------------------|------------|------------------------------------------|
|                                                                  | Within 1 year        | 1-5 years | Floating interest rate | Non- interest bearing |            |                                          |
| <b>Financial liabilities</b>                                     |                      |           |                        |                       |            |                                          |
| Bank overdrafts and short-term loans from financial institutions | 103                  | -         | 117                    | -                     | 220        | MOR, MLR, 18.00                          |
| Trade and other payables                                         | -                    | -         | -                      | 251                   | 251        | -                                        |
| Short-term loans from related parties and others                 | 101                  | -         | -                      | -                     | 101        | 4.90 - 6.50                              |
| Liabilities under finance lease agreements                       | -                    | 3         | -                      | -                     | 3          | 10.48                                    |
| Long-term loans                                                  | 43                   | -         | 40                     | -                     | 83         | MLR, 18.00                               |
|                                                                  | <u>247</u>           | <u>3</u>  | <u>157</u>             | <u>251</u>            | <u>658</u> |                                          |

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2014

|                                                                  | Fixed interest rates | Floating interest rate | Non- interest bearing | Total      | Effective interest rate<br>(% per annum) |
|------------------------------------------------------------------|----------------------|------------------------|-----------------------|------------|------------------------------------------|
|                                                                  | within 1 year        |                        |                       |            |                                          |
| <b>Financial assets</b>                                          |                      |                        |                       |            |                                          |
| Cash and cash equivalents                                        | -                    | 23                     | -                     | 23         | 0.50                                     |
| Current investments                                              | 40                   | -                      | -                     | 40         | 1.05                                     |
| Trade and other receivables                                      | -                    | -                      | 11                    | 11         | -                                        |
| Restricted bank deposits                                         | -                    | 1                      | -                     | 1          | 0.50                                     |
| Long-term loans to related parties                               | 2                    | -                      | -                     | 2          | 5.94                                     |
|                                                                  | <u>42</u>            | <u>24</u>              | <u>11</u>             | <u>77</u>  |                                          |
| <b>Financial liabilities</b>                                     |                      |                        |                       |            |                                          |
| Bank overdrafts and short-term loans from financial institutions | -                    | 45                     | -                     | 45         | MLR, 18.00                               |
| Trade and other payables                                         | -                    | -                      | 47                    | 47         | -                                        |
| Short-term loan from related parties and others                  | 100                  | -                      | -                     | 100        | 4.90                                     |
|                                                                  | <u>100</u>           | <u>45</u>              | <u>47</u>             | <u>192</u> |                                          |



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(Unit: Million Baht)

| Separate financial statements                                    |                     |                        |                       |       |                                          |
|------------------------------------------------------------------|---------------------|------------------------|-----------------------|-------|------------------------------------------|
| As at 31 December 2013                                           |                     |                        |                       |       |                                          |
|                                                                  | Fixed interest      |                        |                       | Total | Effective interest rate<br>(% per annum) |
|                                                                  | rates within 1 year | Floating interest rate | Non- interest bearing |       |                                          |
| <b>Financial assets</b>                                          |                     |                        |                       |       |                                          |
| Cash and cash equivalents                                        | -                   | 123                    | 1                     | 124   | 0.50 - 0.63                              |
| Trade and other receivables                                      | -                   | -                      | 39                    | 39    | -                                        |
| Short-term loan to related parties and others                    | -                   | 2                      | -                     | 2     | 0.50                                     |
|                                                                  | -                   | 125                    | 40                    | 165   |                                          |
| <b>Financial liabilities</b>                                     |                     |                        |                       |       |                                          |
| Bank overdrafts and short-term loans from financial institutions | -                   | 111                    | -                     | 111   | MOR, MOR+1, 18.00                        |
| Trade and other payables                                         | -                   | -                      | 78                    | 78    | -                                        |
| Short-term loan from related parties and others                  | 105                 | -                      | -                     | 105   | 4.90 - 7.50                              |
| Long-term loans                                                  | -                   | 39                     | -                     | 39    | MLR                                      |
|                                                                  | 105                 | 150                    | 78                    | 333   |                                          |

### **Foreign currency risk**

The Company's and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The outstanding balances of the Company's and its subsidiaries' financial assets and liabilities denominated in foreign currencies which were unhedged are summarised below.

| Foreign currency | Financial assets<br>as at 31 December |                   | Financial liabilities<br>as at 31 December |                   | Average exchange rate<br>as at 31 December |         |
|------------------|---------------------------------------|-------------------|--------------------------------------------|-------------------|--------------------------------------------|---------|
|                  | 2014<br>(Million)                     | 2013<br>(Million) | 2014<br>(Million)                          | 2013<br>(Million) | 2014<br>(Baht per 1 foreign currency unit) | 2013    |
| USD              | 0.3                                   | 0.4               | 0.3                                        | 0.6               | 32.9630                                    | 32.8136 |

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### 31.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

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 instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

### 32. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value.

### 33. Events after the reporting period

During January 2558, International Curity Footwear Co., Ltd., a subsidiary, agreed to make partial settlement of debts to the Company with machinery valued at Baht 12 million. The Company has invested in a new company, Exact Q Co., Ltd., to operate a fabric dyeing factory business, with Baht 12 million of shares paid up with the machinery and another Baht 4 million paid in cash.

Exact Q Co., Ltd. was registered with the Ministry of Commerce on 6 February 2015, with a registered share capital of Baht 16 million, divided into 160,000 ordinary shares of Baht 100 each. The Company holds 159,970 shares or 99.98% of the issued and fully paid-up share capital.

### 34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2015.