

Pan Asia Footwear Public Company Limited
and its subsidiaries
Report and consolidated interim financial statements
For the three-month and six-month periods ended
30 June 2016



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Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Pan Asia Footwear Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Pan Asia Footwear Public Company Limited and its subsidiaries as at 30 June 2016, the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Pan Asia Footwear Public Company Limited for the same periods. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

Except for the matter discussed in the following paragraph, I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Basis for qualified conclusion

As discussed in Note 7 to the financial statements, the Company did not obtain the consolidated and separate financial statements for the six-month period ended 30 June 2016 of PA Capital Co., Ltd., the associated company, and its subsidiary companies. The Company obtained only the separate financial statements of the associated company as at 31 December 2015, which were audited by its auditor. I was unable to apply other reviewing procedures to satisfy myself as to the value of such investment in associate, including the related accounts in the statement of comprehensive income. This matter is considered to be a scope limitation imposed by circumstance. In addition, for the review of financial statements for the second quarter of 2015



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and the audit of financial statements for the year 2015, I was not furnished with the up-to-date financial statements of the associated company and its subsidiary companies for such periods as well. I therefore issued the qualified conclusion on the financial statements for the second quarter of 2015 and issued the qualified opinion on the financial statements for the year 2015 for such matter.

Since I was unable to determine whether and to what extent any adjustments were required to adjust the value of investment in associate as at 30 June 2016 and 31 December 2015, including the related accounts in the statements of comprehensive income for the second quarter of 2016 and 2015. My conclusion on the current period's financial statements is qualified as the matter may affect the operating results and the financial position for the current period and comparative figures.

Qualified conclusion

Based on my review, except for any adjustments that might be required to the interim financial information for the three-month and six-month periods ended 30 June 2016 as a result of the matter discussed in the basis for qualified conclusion paragraph, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Emphasis of matter

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 separate statement of financial position as at 30 June 2016, the Company has current liabilities exceeded current assets by Baht 165 million and as presented in the consolidated financial statements as at 30 June 2016, the Company and its subsidiaries have deficits of Baht 12 million. In addition, several subsidiaries had ceased their operations. These conditions indicate the existence of a material uncertainty which could give rise to doubt as to the Company's and its subsidiaries' ability to continue as a going concern. My conclusion is not qualified in respect of this matter.

Manee Rattanabunnakit

Certified Public Accountant (Thailand) No. 5313

EY Office Limited

Bangkok: 10 August 2016

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)	30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)
Assets					
Current assets					
Cash and cash equivalents		74,429	113,467	3,365	23,258
Current investments		4,805	35,043	-	-
Trade and other receivables	2	162,521	156,408	15,245	6,846
Short-term loans to related parties and others	3	2,113	2,768	-	-
Inventories	4	89,132	82,310	-	2,701
Other current assets		18,408	14,976	1,569	2,323
		<u>351,408</u>	<u>404,972</u>	<u>20,179</u>	<u>35,128</u>
Assets classified as held for sale	11	-	1,322	-	5,000
Total current assets		<u>351,408</u>	<u>406,294</u>	<u>20,179</u>	<u>40,128</u>
Non-current assets					
Restricted bank deposits	5	6,422	6,604	1,349	1,349
Investments in available-for-sale securities		34	50	34	50
Investments in subsidiaries	6	-	-	262,101	232,694
Investments in associates	7	-	13,350	-	-
Investments in related parties	8	8,985	8,985	7,745	7,745
Long-term loans to related parties	3	-	-	-	-
Investment properties	9	221,902	219,669	346,697	348,570
Property, plant and equipment	10	97,021	83,064	9,854	11,894
Goodwill		-	-	-	-
Leasehold right		-	-	-	-
Receivables from guarantee - related parties	3	-	-	-	-
Deferred tax assets		235	205	-	-
Other non-current assets		16,676	14,965	2,289	2,168
Total non-current assets		<u>351,275</u>	<u>346,892</u>	<u>630,069</u>	<u>604,470</u>
Total assets		<u>702,683</u>	<u>753,186</u>	<u>650,248</u>	<u>644,598</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 30 June 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)	30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	12	16,210	7,229	12,215	3,234
Trade and other payables	13	112,437	146,053	25,152	35,714
Short-term loans from related parties	3	100,000	100,000	136,000	100,000
Current portion of liabilities under finance					
lease agreements		1,937	2,559	-	-
Current portion of long-term loans under debt					
restructuring agreement	14	12,000	13,080	-	-
Current portion of liabilities under debt					
settlement agreement	16	-	-	12,000	13,080
Income tax payable		2,607	4,108	-	-
Other current liabilities		3,612	3,571	233	477
Total current liabilities		248,803	276,600	185,600	152,505
Non-current liabilities					
Liabilities under finance lease agreements,					
net of current portion		1,135	1,637	-	-
Long-term loans under debt restructuring agreement,					
net of current portion	14	23,711	68,898	-	-
Accrued interest under debt restructuring agreement	14	91,264	88,335	-	-
Liabilities under debt settlement agreement,					
net of current portion	16	-	-	23,711	68,898
Provision for long-term employee benefits		7,277	4,325	541	522
Long-term provisions	15	18,990	29,865	49,564	61,564
Deferred tax liabilities		4,726	3,338	565	503
Other non-current liabilities		5,786	5,786	3,023	3,023
Total non-current liabilities		152,889	202,184	77,404	134,510
Total liabilities		401,692	478,784	263,004	287,015

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



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Pan Asia Footwear Public Company Limited and its subsidiaries

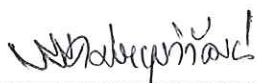
Statement of financial position (continued)

As at 30 June 2016

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements		
	30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)	30 June 2016 (Unaudited but reviewed)	31 December 2015 (Audited)	
Shareholders' equity					
Share capital					
Registered					
	540,000,000 ordinary shares of Baht 0.51 each	275,400	275,400	275,400	275,400
Issued and fully paid-up					
	540,000,000 ordinary shares of Baht 0.51 each	275,400	275,400	275,400	275,400
	The Company's shares held by subsidiaries	(17,553)	(17,553)	-	-
Retained earnings					
	Appropriated - statutory reserve	9,372	-	9,372	-
	Unappropriated (deficit)	(11,966)	(39,416)	102,562	82,257
	Other component of shareholders' equity	2,605	(74)	(90)	(74)
	Equity attributable to owners of the Company	257,858	218,357	387,244	357,583
	Non-controlling interests of the subsidiaries	43,133	56,045	-	-
	Total shareholders' equity	300,991	274,402	387,244	357,583
	Total liabilities and shareholders' equity	702,683	753,186	650,248	644,598

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

Directors



(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 30 June 2016

(Unit: Thousand Baht, except basic earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		169,057	96,631	4,292	5,168
Revenues from hire of work		8,003	6,911	-	-
Interest income		171	7,336	52	3,354
Dividend income		350	151	3,949	9,151
Gain on sales of assets		10,649	5,884	10,598	541
Other income		9,171	10,267	2,506	1,937
Total revenues		197,401	127,180	21,397	20,151
Expenses					
Cost of sales and hire of work		150,129	88,250	3,241	5,243
Selling expenses		3,027	2,404	561	914
Administrative expenses		29,581	21,922	8,220	6,573
Allowance for doubtful accounts (reversal)		2,519	6,736	250	(27,654)
Reversal of provision from guarantee for subsidiaries		-	-	-	(4,779)
Reversal of provision for litigation		(10,875)	-	(12,000)	-
Total expenses		174,381	119,312	272	(19,703)
Profit before shares of profit from investments					
in associates, finance cost and income tax expenses		23,020	7,868	21,125	39,854
Shares of profit from investments in associates		-	2,055	-	-
Profit before finance cost and income tax expenses		23,020	9,923	21,125	39,854
Finance cost		(3,495)	(5,102)	(1,675)	(1,290)
Profit before income tax expenses		19,525	4,821	19,450	38,564
Income tax expenses	17	(1,634)	(616)	(45)	(46)
Profit for the period before loss from discontinued operations		17,891	4,205	19,405	38,518
Loss for the period from discontinued operations		-	(1,216)	-	-
Profit for the period		17,891	2,989	19,405	38,518
Other comprehensive income:					
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Loss on changes in value of available-for-sale investments					
- net of income tax		(20)	(5)	(20)	(5)
Other comprehensive income for the period		(20)	(5)	(20)	(5)
Total comprehensive income for the period		17,871	2,984	19,385	38,513

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



(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the three-month period ended 30 June 2016

(Unit: Thousand Baht, except basic earnings per share expressed in Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit attributable to:					
Equity holders of the Company		14,985	1,789	19,405	38,518
Non-controlling interests of the subsidiaries		2,906	1,200		
		<u>17,891</u>	<u>2,989</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		14,965	1,784	19,385	38,513
Non-controlling interests of the subsidiaries		2,906	1,200		
		<u>17,871</u>	<u>2,984</u>		
Basic earnings per share					
Profit attributable to equity holder of the Company	18	<u>0.028</u>	<u>0.003</u>	<u>0.036</u>	<u>0.071</u>

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



(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of comprehensive income

For the six-month period ended 30 June 2016

(Unit: Thousand Baht, except basic earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		333,106	219,208	9,545	10,920
Revenues from hire of work		15,224	16,044	-	-
Interest income		435	15,021	97	7,041
Dividend income		350	151	3,949	9,151
Gain on sales of assets		10,946	25,834	10,872	9,671
Gain on debt restructuring		-	39,068	-	-
Other income		20,436	12,229	5,026	3,804
Total revenues		380,497	327,555	29,489	40,587
Expenses					
Cost of sales and hire of work		297,229	197,910	9,082	10,849
Selling expenses		5,767	4,358	972	1,371
Administrative expenses		63,306	49,506	15,180	13,923
Allowance for doubtful accounts (reversal)		(37,714)	13,418	(27,620)	(35,778)
Reversal of provision from guarantee for subsidiaries		-	-	-	(56,088)
Reversal of provision for litigation		(10,875)	-	(12,000)	-
Total expenses		317,713	265,192	(14,386)	(65,723)
Profit before shares of profit from investments					
in associates, finance cost and income tax expenses		62,784	62,363	43,875	106,310
Shares of profit from investments in associates		46	5,873	-	-
Profit before finance cost and income tax expenses		62,830	68,236	43,875	106,310
Finance cost		(8,200)	(10,569)	(3,121)	(3,026)
Profit before income tax expenses		54,630	57,667	40,754	103,284
Income tax expenses	17	(2,504)	(4,653)	(62)	(91)
Profit for the period before loss from discontinued operations		52,126	53,014	40,692	103,193
Loss for the period from discontinued operations		-	(1,363)	-	-
Profit for the period		52,126	51,651	40,692	103,193
Other comprehensive income:					
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Loss on changes in value of available-for-sale investments					
- net of income tax		(16)	(14)	(16)	(14)
Other comprehensive income for the period		(16)	(14)	(16)	(14)
Total comprehensive income for the period		52,110	51,637	40,676	103,179

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



(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the six-month period ended 30 June 2016

(Unit: Thousand Baht, except basic earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit attributable to:					
Equity holders of the Company		47,763	49,252	40,692	103,193
Non-controlling interests of the subsidiaries		4,363	2,399		
		<u>52,126</u>	<u>51,651</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		47,747	49,238	40,676	103,179
Non-controlling interests of the subsidiaries		4,363	2,399		
		<u>52,110</u>	<u>51,637</u>		
Basic earnings per share					
Profit attributable to equity holder of the Company	18	<u>0.089</u>	<u>0.092</u>	<u>0.075</u>	<u>0.191</u>

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



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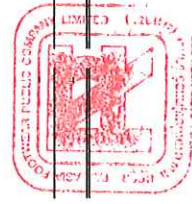
(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the six-month period ended 30 June 2016

(Unit: Thousand Baht)

Consolidated financial statements																				
Equity attributable to owners of the Company																				
Other components of shareholders' equity																				
Other comprehensive income																				
Loss on changes in value of available-for-sale investments																				
Difference resulting from change in shareholding in subsidiaries																				
Total other components of shareholders' equity																				
Total equity attributable to owners of the Company																				
Equity attributable to non-controlling interests of the subsidiaries																				
Total																				
shareholders' equity																				
Issued and paid-up share capital	2,700,000	1,677	The Company's shares held by its subsidiaries	(17,553)	Appropriated legal reserve	21,000	Retained earnings (deficit) - Unappropriated	(66)	Loss on changes in value of available-for-sale investments	(66)	Difference resulting from change in shareholding in subsidiaries	(66)	Total other components of shareholders' equity	(66)	Total equity attributable to owners of the Company	55,417	Equity attributable to non-controlling interests of the subsidiaries	10,402	Total	65,819
Balance as at 1 January 2015							(2,649,641)													
Profit for the period	-	-	-	-	-	-	49,252	-	-	-	-	-	-	-	-	49,252	2,399	-	51,651	
Other comprehensive income for the period	-	-	-	-	-	-	-	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	-	-	-	(14)	
Total comprehensive income for the period	-	-	-	-	-	-	49,252	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	-	-	-	(14)	
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3	3	
Balance as at 30 June 2015	2,700,000	1,677	(17,553)	(17,553)	21,000	21,000	(2,600,389)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	104,655	12,804	117,459	117,459		
Balance as at 1 January 2016	275,400	-	(17,553)	(17,553)	-	-	(39,416)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	218,357	56,045	274,402	274,402		
Profit for the period	-	-	-	-	-	-	47,763	-	-	-	-	-	-	-	47,763	4,363	52,126	52,126		
Other comprehensive income for the period	-	-	-	-	-	-	-	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	-	-	(16)	(16)	
Total comprehensive income for the period	-	-	-	-	-	-	47,763	(16)	(16)	(16)	(16)	(16)	(16)	(16)	47,747	4,363	52,110	52,110		
Decrease in non-controlling interests of the subsidiaries (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,224)	(14,529)	(14,529)		
Dividend paid (Note 20)	-	-	-	-	-	-	(11,015)	-	-	-	-	-	-	-	(11,015)	-	-	(11,015)		
Less: Dividend paid in respect of the Company's shares held by subsidiaries	-	-	-	-	-	-	74	-	-	-	-	-	-	-	74	-	-	74		
Dividend paid - net	-	-	-	-	-	-	(10,941)	-	-	-	-	-	-	-	(10,941)	-	-	(10,941)		
Transferred unappropriated retained earnings to statutory reserve	-	-	-	-	9,372	9,372	(9,372)	-	-	-	-	-	-	-	-	-	-	-		
Decrease in non-controlling interests of the subsidiary from dividend payment of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(51)		
Balance as at 30 June 2016	275,400	-	(17,553)	(17,553)	9,372	9,372	(11,966)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	257,868	43,133	300,991	300,991		

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

(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the six-month period ended 30 June 2016

(Unit: Thousand Baht)

	Separate financial statements					Total shareholders' equity
	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		on changes in value of available-for-sale investments	
			Appropriated - legal reserve	Unappropriated		
				Loss		
				on changes in value of available-for-sale investments		
Balance as at 1 January 2015	2,700,000	1,677	21,000	(2,552,457)	170,154	
Profit for the period	-	-	-	103,193	103,193	
Other comprehensive income for the period	-	-	-	-	(14)	
Total comprehensive income for the period	-	-	-	-	(14)	
Balance as at 30 June 2015	2,700,000	1,677	21,000	(2,449,264)	273,333	
Balance as at 1 January 2016	275,400	-	-	82,257	357,583	
Profit for the period	-	-	-	40,692	40,692	
Other comprehensive income for the period	-	-	-	-	(16)	
Total comprehensive income for the period	-	-	-	40,692	40,676	
Dividend paid (Note 20)	-	-	-	(11,015)	(11,015)	
Transferred unappropriated retained earnings to statutory reserve	-	-	9,372	(9,372)	-	
Balance as at 30 June 2016	275,400	-	9,372	102,562	387,244	

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



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(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement

For the six-month period ended 30 June 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before tax	54,630	57,667	40,754	103,284
Loss from discontinued operations	-	(1,363)	-	-
Profit for the period	54,630	56,304	40,754	103,284
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	9,905	6,515	3,550	3,571
Bad debt and allowance for doubtful accounts (reversal)	(37,714)	13,418	(27,620)	(35,778)
Reversal of reduction of inventories to net realisable value	(20,375)	(336)	(20,323)	(962)
Gain on disposal of property, plant and equipment	(10,946)	(25,834)	(10,872)	(9,671)
Share of profit from investments in associates	(46)	(5,873)	-	-
Loss on fair value measurement of previously held equity interests	334	-	-	-
Gain from a bargain purchase of equity interests in a subsidiary	(6,479)	-	-	-
Gain on disposal of investment that classified as held for sales	(6,182)	-	-	-
Reversal of provision for litigation	(10,875)	-	(12,000)	-
Reversal of provision from guarantee for subsidiaries	-	-	-	(56,088)
Provision for long-term employee benefits	2,104	419	19	194
Gain on debt restructuring	-	(39,068)	-	-
Unrealised loss (gain) on exchange rate	40	(68)	(14)	(17)
Interest income	(435)	(15,021)	(97)	(7,041)
Dividend income	(350)	(151)	(3,949)	(9,151)
Interest expenses	8,200	10,569	3,121	3,026
Profit (loss) from operating activities before changes in operating assets and liabilities	(18,189)	874	(27,431)	(8,633)
Operating assets (increase) decrease				
Trade and other receivables	12,524	11,160	(10,886)	(37,996)
Inventories	15,599	8,365	23,024	4,516
Other current assets	(3,180)	(770)	754	(1,029)
Other non-current assets	(2,131)	(2,994)	-	1,278
Assets of subsidiaries that classified as held for sale	-	1,443	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(33,004)	(26,877)	(5,561)	(1,845)
Other current liabilities	(154)	(545)	(244)	(663)
Other non-current liabilities	-	(331)	-	-
Liabilities directly associated with assets of subsidiaries that classified as held for sales	-	(80)	-	-
Cash used in operating activities	(28,535)	(9,755)	(20,344)	(44,372)
Cash paid for corporate income tax	(5,403)	(1,011)	(121)	(361)
Income tax refunded	1,295	129	-	-
Net cash flows used in operating activities	(32,643)	(10,637)	(20,465)	(44,733)

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



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(Unaudited but reviewed)

Pan Asia Footwear Public Company Limited and its subsidiaries
Cash flows statement (continued)
For the six-month period ended 30 June 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Increase in cash from change in status of associate to be subsidiary	11,513	-	-	-
Decrease (increase) in restricted bank deposits	182	(4)	-	-
Decrease in current investments	30,238	76,532	-	19,535
Cash receipt from short-term loans to related parties and others	655	3,423	-	-
Increase in long-term loan to related parties	-	-	-	(4,480)
Cash receipt from long-term loans to related parties	20	-	700	22,400
Cash paid for investment in a subsidiary	-	-	-	(3,907)
Dividend received	350	151	3,949	9,151
Purchase of property, plant and equipment	(6,528)	(8,473)	(492)	(2,434)
Proceeds from disposal of property, plant and equipment	11,831	27,839	11,727	21,772
Purchase of investment properties	-	(5,620)	-	(5,620)
Interest income	617	1,118	97	11,566
Net cash flows from investing activities	48,878	94,966	15,981	67,983
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	8,981	(53,118)	8,981	(41,120)
Cash receipt from short-term loans from related parties	-	-	36,000	-
Repayment of liabilities under finance lease agreements	(1,723)	(1,408)	-	-
Repayment of long-term loans	-	(35,912)	-	-
Repayment of liabilities under debt settlement agreement	(46,267)	-	(46,267)	-
Cash receipt from non-controlling interests of a subsidiary for investment in a subsidiary	-	3	-	-
Dividend paid	(10,941)	-	(11,015)	-
Dividend paid for non-controlling interests of the subsidiary	(51)	-	-	-
Cash paid for interest expenses	(5,272)	(7,550)	(3,108)	(3,108)
Net cash flows used in financing activities	(55,273)	(97,985)	(15,409)	(44,228)
Net decrease in cash and cash equivalents	(39,038)	(13,656)	(19,893)	(20,978)
Cash and cash equivalents at the beginning of period	113,467	81,683	23,258	23,490
Cash and cash equivalents at end of period	74,429	68,027	3,365	2,512

Supplementary cash flows information:

Non-cash transactions:

Equipment increased due to payment received from an account receivable - subsidiary	-	-	-	12,090
Transfer equipment to investment in a subsidiary	-	-	-	12,090
Investment properties increased due to payment received from an associate	3,100	-	-	-
Investment in subsidiaries increased due to payment received from a subsidiary	-	-	29,407	36,600
Change in status of investment in associate to investment in subsidiary	13,396	-	-	-
Assets acquired under finance lease agreement	-	4,080	-	-
Transfer short-term loan from a financial institution to long-term loan under debt restructuring agreement	-	91,788	-	-
Transfer accrued interest from short-term loan to accrued interest under debt restructuring agreement	-	84,679	-	-
Long-term loans to related parties decreased due to the debt forgiveness as a result of liquidation of a subsidiary	-	750	-	-

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



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Pan Asia Footwear Public Company Limited and its subsidiaries
Notes to consolidated interim financial statements
For the three-month and six-month periods ended 30 June 2016

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 620/5 Moo 11, Nongkharm, Siracha, Chonburi.

1.2 Going concern

As presented in the separate financial statements as at 30 June 2016, the Company's current liabilities exceeded its current assets by Baht 165 million, and as presented in the consolidated financial statements as at 30 June 2016, the Company and its subsidiaries had a deficit of Baht 12 million. In addition, several subsidiaries had ceased their operations. Although these factors raise substantial doubt about the ability of the Company and subsidiaries to continue as a going concern, the Company has restructured its business and the Company and its subsidiaries have entered into debt restructuring agreements with a bank, as described in Note 14 to the financial statements. For these reasons, the financial statements have been prepared on the going concern basis.

1.3 Basis of preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2015) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.



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(Unaudited but reviewed)

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

1.4 Basis of interim consolidation

The consolidated interim financial statements include the financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2015, with no structural changes related to subsidiaries occurring during the current period, except that the status of Aphakorn Industries Co., Ltd. changed from an associate to a subsidiary, as described in Note 6 to the financial statements.

1.5 New financial reporting standards

During the period, the Company and its subsidiaries have adopted the revised and new financial reporting standards including accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and the subsidiaries' financial statements.

1.6 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2015.

2. Trade and other receivables

	Consolidated		(Unit: Thousand Baht) Separate	
	financial statements		financial statements	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	43,834	52,604	295	-
Past due				
Up to 3 months	23,498	23,090	902	131
3 - 6 months	9,935	8,282	2,459	112
6 - 12 months	2,155	9,374	597	301
Over 12 months	72,824	76,462	688	409
Total	152,246	169,812	4,941	953
Less: Allowance for doubtful accounts	(72,733)	(72,733)	(231)	(231)
Total trade receivables - related parties, net	79,513	97,079	4,710	722



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(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	43,994	33,770	152	558
Past due				
Up to 3 months	25,147	16,158	1,263	16
3 - 6 months	1,565	651	145	-
6 - 12 months	213	346	-	48
Over 12 months	10,779	10,427	323	297
Total	81,698	61,352	1,883	919
Less: Allowance for doubtful accounts	(10,557)	(10,271)	(8)	(8)
Total trade receivables - unrelated parties, net	71,141	51,081	1,875	911
Total trade receivables - net	150,654	148,160	6,585	1,633
<u>Other receivables</u>				
Other receivables - related parties	272,433	370,628	146,702	151,606
Other receivables - unrelated parties	23,301	16,883	13,307	7,101
Total	295,734	387,511	160,009	158,707
Less: Allowance for doubtful accounts	(283,867)	(379,263)	(151,349)	(153,494)
Total other receivables - net	11,867	8,248	8,660	5,213
Total trade and other receivables - net	162,521	156,408	15,245	6,846

3. Related party transactions

During the periods, 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)

	For the three-month periods ended 30 June				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2016	2015	2016	2015	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales of goods	-	-	-	1	Cost plus margins
Interest income	-	-	-	3	7.5% per annum
Other income	-	-	-	1	Cost plus margins or as indicated in the agreement
Purchases of goods	-	-	1	2	Cost plus margins



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(Unaudited but reviewed)

(Unit: Million Baht)

	For the three-month periods ended 30 June				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2016	2015	2016	2015	
<u>Transactions with associates</u>					
Sales of goods	-	1	-	-	Cost plus margins
Interest income	-	7	-	-	5.0% - 7.5% per annum
Other income	-	1	-	-	Cost plus margins or as indicated in the agreement
Purchase of goods	-	2	-	-	Cost plus margins
<u>Transactions with related companies</u>					
Sales of goods	69	30	1	-	Cost plus margins
Other income	1	2	-	1	Cost plus margins or as indicated in the agreement
Purchases of goods	3	1	-	-	Cost plus margins
Utilities expenses	1	-	-	-	As indicated in the agreement
Other expenses	2	2	-	-	As indicated in the agreement
<u>Transaction with related person</u>					
Interest expenses	1	1	1	1	4.9% per annum

(Unit: Million Baht)

	For the six-month periods ended 30 June				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2016	2015	2016	2015	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales of goods	-	-	3	1	Cost plus margins
Interest income	-	-	-	7	7.5% per annum
Other income	-	-	-	1	Cost plus margins or as indicated in the agreement
Purchases of goods	-	-	1	4	Cost plus margins
<u>Transactions with associates</u>					
Sales of goods	-	2	-	-	Cost plus margins
Interest income	-	14	-	-	5.0% - 7.5% per annum
Other income	-	1	-	-	Cost plus margins or as indicated in the agreement
Purchase of goods	-	4	-	-	Cost plus margins
<u>Transactions with related companies</u>					
Sales of goods	154	102	1	-	Cost plus margins
Other income	1	2	-	1	Cost plus margins or as indicated in the agreement
Purchases of goods	4	2	-	-	Cost plus margins
Utilities expenses	2	2	-	-	As indicated in the agreement
Other expenses	4	4	-	-	As indicated in the agreement
<u>Transaction with related person</u>					
Interest expenses	2	2	2	2	4.9% per annum



Wibabun

(Unaudited but reviewed)

The balances of the accounts between the Company and those related parties were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
<u>Trade and other receivables - related parties (Note 2)</u>				
Subsidiaries	-	-	93,013	95,576
Associates	193,777	293,079	18,296	18,294
Related companies (related by common shareholders and directors)	230,902	247,361	40,334	38,689
Total	424,679	540,440	151,643	152,559
Less: Allowance for doubtful accounts	(341,315)	(439,685)	(144,153)	(148,982)
Net	83,364	100,755	7,490	3,577
<u>Receivables from guarantee - related parties</u>				
Subsidiaries	-	-	22,999	47,774
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	74,019	98,794
Less: Allowance for doubtful accounts	(51,020)	(51,020)	(74,019)	(98,794)
Net	-	-	-	-
<u>Trade and other payables - related parties (Note 13)</u>				
Subsidiaries	-	-	10,960	9,803
Associates	1,088	18,773	289	292
Related companies (related by common shareholders)	27,727	34,773	5,779	13,570
Total	28,815	53,546	17,028	23,665

Short-term loans to related parties and others

During the six-month period ended 30 June 2016, the movements of short-term loans to related parties and other were as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	As at			As at
	1 January 2016	Increase	Decrease	30 June 2016
<u>Short-term loans to related parties and others</u>				
Short-term loans to related parties				
Associate				
Nongchang Rubber Co., Ltd.	850	-	-	850
Total	850	-	-	850



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(Unit: Thousand Baht)

	Consolidated financial statements			
	As at	Increase	Decrease	As at
	1 January 2016			30 June 2016
Related companies				
Thai Sung Shin New Material Co., Ltd.	2,600	2,000	-	4,600
Natural Art and Technology Co., Ltd.	2,375	-	(625)	1,750
Total	4,975	2,000	(625)	6,350
Total short-term loans to related parties	5,825	2,000	(625)	7,200
Less: Allowance for doubtful accounts	(3,450)	(2,000)	-	(5,450)
Total short-term loans to related parties - net	2,375	-	(625)	1,750
Short-term loans to others	393	-	(30)	363
Total short-term loans to related parties and others, net	2,768	-	(655)	2,113

Long-term loans to related parties

During the six-month period ended 30 June 2016, the movements of long-term loans to related parties were as follows:

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	As at	Decrease	As at
1 January 2016	30 June 2016		
<u>Long-term loans to related parties</u>			
Associates			
PA Capital Co., Ltd.	294,515	(85,960)	208,555
P.L. John Industries Co., Ltd.	10,700	-	10,700
Pek Engineering Co., Ltd.	9,540	-	9,540
Total	314,755	(85,960)	228,795
Related company			
Rangsit Footwear Co., Ltd.	2,109	-	2,109
Total	2,109	-	2,109
Total long-term loans to related parties	316,864	(85,960)	230,904
Less: Allowance for doubtful accounts	(316,864)	85,960	(230,904)
Total long-term loans to related parties, net	-	-	-

	(Unit: Thousand Baht)		
	Separate financial statements		
	As at	Decrease	As at
1 January 2016	30 June 2016		
<u>Long-term loans to related parties</u>			
Subsidiaries			
Kabinburi Pan Asia Footwear Co., Ltd.	96,014	-	96,014
Phimai Footwear Co., Ltd.	23,050	-	23,050
Innovation Nakornluang Footwear Co., Ltd.	2,480	(700)	1,780
Total	121,544	(700)	120,844



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(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements		
	As at		As at
	1 January 2016	Decrease	30 June 2016
Related company			
Rangsit Footwear Co., Ltd.	2,109	-	2,109
Total	2,109	-	2,109
Total long-term loans to related parties	123,653	(700)	122,953
Less: Allowance for doubtful accounts	(123,653)	700	(122,953)
Total long-term loans to related parties, net	-	-	-

Short-term loans from related parties

During the six-month period ended 30 June 2016, the movements of short-term loans from related parties were as follows:

	Consolidated financial statements		Separate financial statements			
	As at	As at	As at	As at		
	1 January	30 June	1 January	30 June	30 June	
	2016	Increase	2016	2016	Increase	2016
<u>Short-term loans from related parties</u>						
Subsidiaries						
Advantage Footwear Co., Ltd.	-	-	-	-	30,000	30,000
Excellent Rubber Co., Ltd.	-	-	-	-	6,000	6,000
Total	-	-	-	-	36,000	36,000
Related person						
Mr. Boonyasit Chokwatana	100,000	-	100,000	100,000	-	100,000
Total	100,000	-	100,000	100,000	-	100,000
Total short-term loans from related parties	100,000	-	100,000	100,000	36,000	136,000

Directors and management's benefits

During the six-month periods ended 30 June 2016 and 2015, 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	financial statements	financial statements
	2016	2015	2016	2015
Short-term employee benefits	5,676	4,183	2,745	1,859
Post-employment benefits	31	199	17	193
Total	5,707	4,382	2,762	2,052



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(Unaudited but reviewed)

Guarantee obligations with related parties

The Company and its subsidiary have outstanding guarantee obligations with its related parties, as described in Note 21.3 a) to the financial statements.

4. Reduce cost to net realisable value of inventories

Movements in the reduce cost to net realisable value of inventories account during the six-month period ended 30 June 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2016	143,147	100,068
Less: Reversal of reduce cost to net realisable value of inventories account during the period	(20,375)	(20,323)
Balance as at 30 June 2016	<u>122,772</u>	<u>79,745</u>

5. Restricted bank deposits

As at 30 June 2016, the Company and its subsidiaries had pledged the fixed deposits at financial institutions to secure credit facilities and bank guarantee facilities issued by the banks on behalf of the Company and its subsidiaries.

6. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment on investments		Net		Dividend received during the six-month periods ended 30 June	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	2016	2015
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)								
Footwear Tech 1530 Co., Ltd.	400,000	400,000	100	100	467,968	467,968	(467,968)	(467,968)	-	-	-	-
International Curiry												
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	-	9,000



Abubakar

(Unaudited but reviewed)

(Unit: Thousand Baht)

Company's name	Shareholding				Allowance for impairment				Dividend received during			
	Paid-up capital		percentage		Cost		on investments		Net		the six-month periods	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	ended 30 June	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)								
Pantech R&D Co., Ltd.												
(registered its dissolution with the Ministry of Commerce on 13 May 2016)	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	-	-
Exact Q Co., Ltd.	16,000	16,000	100	100	15,997	15,997	-	-	15,997	15,997	-	-
Modern Technology Component Co., Ltd.	50,000	50,000	100	100	36,600	36,600	-	-	36,600	36,600	-	-
Advantage Footwear Co., Ltd.	91,750	91,750	65	56	45,695	37,614	-	-	45,695	37,614	-	-
Aphakorn Industries Co., Ltd.	21,905	-	66	-	21,326	-	-	-	21,326	-	3,599	-
Total					2,462,735	2,433,328	(2,200,634)	(2,200,634)	262,101	232,694	3,599	9,000

As described in Note 16.1 to the financial statements, on 28 January 2016, an associate transferred 14,394 ordinary shares of Aphakorn Industries Co., Ltd. which represents 65.71% of the issued and paid-up share capital of that company for settled a debt with the Company. As a result, the Company and its subsidiaries hold 96.58% of the shares of that company and Aphakorn Industries Co., Ltd. has changed its status from an associate to a subsidiary of the group. As at status changed date, Aphakorn Industries Co., Ltd. had an outstanding balance of cash and cash equivalents of Baht 12 million, and the Company had therefore presented as "Increase in cash from change in status of associate to be subsidiary" in the cash flows statement for the six-month period ended 30 June 2016.



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(Unaudited but reviewed)

Values of assets acquired and liabilities assumed from Aphakorn Industries Co., Ltd. as at status changed date were summarised below.

	(Unit: Thousand Baht)	
	Fair values as at status changed date	Carrying values as at status changed date
Cash and cash equivalents	11,513	11,513
Trade and other receivables	19,125	19,125
Inventories	2,046	2,046
Other current assets	252	252
Plant and equipment	17,352	6,612
Other non-current assets	3	3
Trade and other payables	(4,450)	(4,450)
Current portion of liabilities under finance lease agreements	(599)	(599)
Other current liabilities	(195)	(195)
Provision for long-term employee benefits	(848)	(848)
Deferred tax liabilities	(1,884)	-
Net assets of the subsidiary	<u>42,315</u>	<u>33,459</u>
Net assets in the portion held by the Group (96.58%)	40,867	32,314
Less: Cumulative losses from investment in associate at the status changed date	(13,396)	(13,396)
Loss from fair value measurement of previously held equity interest	334	334
The difference between the debt settlement and the net assets of the subsidiary in the company's proportion	<u>(6,479)</u>	<u>2,074</u>
Receipt of settlement in the form of investment in subsidiary	<u>21,326</u>	<u>21,326</u>

In addition, such associate transferred ordinary shares of Advantage Footwear Co., Ltd. (subsidiary/AVF) and Pontex (Thailand) Co., Ltd. (subsidiary/PTX), which are shareholders of Aphakorn Industries Co., Ltd. (subsidiary/APK), to the Company and its subsidiaries. As a result, the shareholdings of the Company and its subsidiaries in AVF, PTX and APK have increased. The Company and its subsidiaries recorded the difference between the debt settlement and the net book value of AVF, PTX and APK, amounting to Baht 2.7 million, under "Difference resulting from change in shareholding in subsidiaries" in the consolidated statement of changes in shareholders' equity.



(Unaudited but reviewed)

7. Investments in associates

(Unit: Thousand Baht)

Consolidated financial statements	
30 June 2016	31 December 2015
Investments in associates - at cost	416,528
Accumulated share of loss in associates	(403,178)
Investments in associates - equity method	13,350

(Unit: Thousand Baht)

Separate financial statements	
30 June 2016	31 December 2015
Investments in associates - at cost	64,559
Less: Allowance for impairment of investments	(64,559)
Investments in associates - net	-

Partial of investments in associates in the consolidated financial statements at cost of Baht 376 million (Separate financial statements: Baht 65 million) was investment in PA Capital Co., Ltd. ("the associate"), the Company did not obtain the financial statements for the six-month period ended 30 June 2016 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 2015, which were audited by its auditor, and only separate financial statements was presented, not consolidated financial statements, even though it has subsidiaries and associates. However, the Company recorded investment in the associate under the cost method and the equity method as equal to zero.



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(Unaudited but reviewed)

8. Investments in related parties

Details of investments in related parties are as follows:

(Unit : Thousand Baht)

Consolidated financial statements								
Company's name	Cost		Allowance for impairment of investments		Net		Dividend received during the six-month periods ended	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
Sahapat Properties Co., Ltd.	500	500	-	-	500	500	50	150
Nutrition House Co., Ltd.	13,598	13,598	(8,232)	(8,232)	5,366	5,366	-	-
Thai Takaya Co., Ltd.	2,000	2,000	-	-	2,000	2,000	300	-
Nana Solutions Co., Ltd. (formerly known as "Pan Long John Co., Ltd.")	1,750	1,750	(1,631)	(1,631)	119	119	-	-
Natural Art and Technology Co., Ltd.	1,000	1,000	-	-	1,000	1,000	-	-
Banpan 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)	-	-	-	-
Pan Technical Parts Co., Ltd.	720	720	(720)	(720)	-	-	-	-
Thai Sung Shin New Material Co., Ltd.	11,696	11,696	(11,696)	(11,696)	-	-	-	-
Total	163,264	163,264	(154,279)	(154,279)	8,985	8,985	350	150

(Unit : Thousand Baht)

Separate financial statements								
Company's name	Cost		Allowance for impairment of investments		Net		Dividend received during the six-month periods ended	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
Sahapat Properties Co., Ltd.	1,050	1,050	-	-	1,050	1,050	50	150
Nutrition House Co., Ltd.	4,268	4,268	-	-	4,268	4,268	-	-
Thai Takaya Co., Ltd.	2,308	2,308	-	-	2,308	2,308	300	-
Nana Solutions Co., Ltd.	119	119	-	-	119	119	-	-
Total	7,745	7,745	-	-	7,745	7,745	350	150



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(Unaudited but reviewed)

9. Investment properties

Movements in the investment properties account during the six-month period ended 30 June 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2016	219,669	348,570
Addition during the period	3,100	-
Depreciation for the period	(867)	(1,873)
Balance as at 30 June 2016	<u>221,902</u>	<u>346,697</u>

As at 30 June 2016, the Company has mortgaged investment properties with net book value amounting to Baht 234 million (31 December 2015: Baht 235 million) as collateral against loan from related person and credit facilities received from financial institutions.

10. Property, plant and equipment

Movements in the property, plant and equipment account during the six-month period ended 30 June 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2016	83,064	11,894
Acquisition during the period - cost	6,528	492
Transfer from change in status of associate to be subsidiary	17,352	-
Disposals/write-off during the period - net book value at disposal/write-off date	(885)	(855)
Depreciation for the period	(9,038)	(1,677)
Balance as at 30 June 2016	<u>97,021</u>	<u>9,854</u>

As at 30 June 2016, the subsidiaries have mortgaged assets with net book value amounting to Baht 19 million (31 December 2015: Baht 19 million) as collaterals against credit facilities received from banks.



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11. Assets classified as held for sale

On 8 February 2013, a meeting of the Board of Directors passed a resolution to sell 100,000 shares of the Company's investment in Pan Asia Garment (Laos) Co., Ltd., a subsidiary in which the Company held 100% of shares, to two related companies at Baht 84 per share, or a total of Baht 8.4 million. The Company has classified this investment under assets classified as held for sale in 2012. The Company has advance share subscription receipts amounting to Baht 5.0 million with outstanding unpaid share subscriptions of Baht 3.4 million.

In December 2015, the Company issued letters informing the buyers of the reduction of such unpaid share subscriptions. The Company received letters acknowledging the reduction in May 2016. Therefore, the Company considered the sale of the investment to be complete and recorded the sales transaction in the current period, which the Company has recorded gain on disposal of investment of Baht 6.2 million in consolidated profit or loss

12. Bank overdrafts and short-term loans from financial institutions

Short-term loans from financial institutions of the Company are secured by the mortgage of land and construction thereon of the Company. 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 5 and 10 to the financial statements.

13. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Trade payables - related parties	8,267	25,598	7,979	6,886
Trade payables - unrelated parties	44,867	51,851	914	928
Other payables - related parties	5,817	6,154	5,146	5,036
Other payables - unrelated parties	1,582	873	236	246
Accrued expenses - related parties	14,731	16,794	3,903	6,743
Accrued expenses - unrelated parties	32,952	38,693	6,004	10,840
Advance received for share subscription				
- related parties	-	5,000	-	5,000
Unearned revenue - unrelated parties	4,221	1,090	970	35
Total	112,437	146,053	25,152	35,714



(Unaudited but reviewed)

14. Long-term loan under debt restructuring agreement/Accrued interest under debt restructuring agreement

Movements in long-term loan under debt restructuring agreement account during the six-month period ended 30 June 2016 are summarised below.

	(Unit: Thousand Baht)
	Consolidated financial statements
Balance as at 1 January 2016	81,978
Less: Repayment	(46,267)
Balance as at 30 June 2016	35,711
Less: Portion due within one year	(12,000)
Long-term loan under debt restructuring agreement, net of current portion	<u>23,711</u>

On 26 January 2015, the Company and International Curity Footwear Co., Ltd. ("its subsidiary") entered into compromise agreement with the bank in the presence of the court to restructure their debts. Under the terms of the agreement, payment is to be made as follows:

Principal payment: Principal of Baht 95 million to be paid in monthly installments from January 2015 - December 2019, totaling 60 installments.

Original interest payment: Unpaid interest accrued up to 31 December 2014 is deferred.*

New interest payment: From 1 January 2015 until principal is settled in full, interest is to be paid monthly, at the Prime Rate 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).*

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

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

As at 30 June 2016, the Company and its subsidiary have accrued interest that is deferred under debt restructuring agreement amounting to Baht 91 million.



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15. Provisions

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Provision from guarantee for subsidiaries	-	-	31,699	31,699
Provision from guarantee for related companies	241	241	241	241
Provision for litigation	18,749	29,624	17,624	29,624
Total	18,990	29,865	49,564	61,564

16. Debt restructuring and debt transfer agreement**16.1 Debt restructuring and debt transfer agreement between the Company, a subsidiary and an associate**

In November 2015, the Company and International Curity Footwear Co., Ltd. (subsidiary/ICF) entered into the debt restructuring and debt transfer agreement with PA Capital Co., Ltd. (associate/PA), who had the outstanding debts with the Company and ICF amounting to Baht 281.3 million. Under the agreement, PA is to settle debt of Baht 136.6 million with the Company and ICF as follows:

1. Transfer 11 plots of land valued at Baht 96.2 million to the Company.
2. Transfer ordinary shares of Aphakorn Industries Co., Ltd., Advantage Footwear Co., Ltd. and Pontex (Thailand) Co., Ltd. totaling Baht 37.3 million to the Company and ICF as follows:

Ordinary shares	Number of shares (shares)	Value (Million Baht)	Transferred to
Aphakorn Industries Co., Ltd.	14,394	21.3	The Company
Advantage Footwear Co., Ltd.	332,404	8.1	The Company
Advantage Footwear Co., Ltd.	6,811	0.2	ICF
Pontex (Thailand) Co., Ltd.	4,455	7.7	ICF

3. Transfer a plot of land with a detached house valued at Baht 3.1 million to ICF.

If PA is able to make complete settlement of these debts, the Company and ICF will forgive PA the remaining principal and accrued interest, totaling Baht 144.7 million for which they had previously set aside allowance for doubtful accounts in full.

In December 2015, PA transferred the plots of land under article 1 to the Company to settle its debt with ICF, and ICF therefore reversed allowance for doubtful accounts amounting to Baht 96.2 million in profit or loss in the consolidated financial statements for the year 2015.



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(Unaudited but reviewed)

Subsequently, in January 2016, PA transferred the ordinary shares under article 2 to the Company and ICF. As a result, the status of Aphakorn Industries Co., Ltd. changed from an associate to a subsidiary of the group, as described in Note 6 to the financial statements.

Subsequently, in February 2016, PA transferred the land with a detached house under article 3 to ICF. Upon PA's full compliance with the debt restructuring and debt transfer agreement, the Company and ICF forgave outstanding principal and accrued interest.

As a result of the transfer of ordinary shares and land under articles 2 and 3, and the debts forgiveness, ICF reversed allowance for doubtful accounts totaling Baht 40.4 million in profit or loss in the consolidated financial statements for the current period.

16.2 Debt settlement agreement between the Company and ICF

In November 2015, ICF entered into a debt settlement agreement with the Company under which ICF agreed to transfer the assets received from PA in settlement of debt to the Company, in accordance with the debt restructuring and debt transfer agreement as described in Note 16.1 to the financial statements, in order that the Company undertook to settle ICF's outstanding debt of Baht 85.2 million under the debt restructuring agreement with a bank, with the Company agreeing to pay the principal to the bank on behalf of ICF in accordance with the conditions stipulated in the debt restructuring agreement, as described in Note 14 to the financial statements. The Company recorded its liabilities under the agreement to settle debt on behalf of ICF in the statement of financial position.

During the current period, the Company settled liabilities under the debt restructuring agreement amounting to Baht 46.3 million with the bank and the outstanding balance of such liabilities as at 30 June 2016 was Baht 35.7 million.

17. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expense for the three-month and six-month periods ended 30 June 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Interim corporate income tax charge	1,741	302	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(107)	314	45	46
Income tax expense reported in the statements of comprehensive income	<u>1,634</u>	<u>616</u>	<u>45</u>	<u>46</u>



(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Interim corporate income tax charge	3,030	596	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(526)	4,057	62	91
Income tax expense reported in the statements of comprehensive income	<u>2,504</u>	<u>4,653</u>	<u>62</u>	<u>91</u>

18. Earnings per share

Basic earnings per share is calculated by dividing profit for the period 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 period.

19. Segment information

The one main reportable operating segment of the Company and its subsidiaries is the manufacture, distribution and export of footwear and footwear parts 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 six-month period ended 30 June 2016, the Company and its subsidiaries have revenue from 2 major customers in amount of Baht 94 million (2015: Baht 63 million derived from 2 major customers).

20. Dividend paid

<u>Dividend</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend</u>
		(Million Baht)	per share
			(Baht)
Final dividend for 2015	Annual General Meeting of the shareholders on 26 April 2016	<u>11</u>	<u>0.0204</u>



(Unaudited but reviewed)

21. Commitments and contingent liabilities

21.1 Capital commitments

As at 30 June 2016, a subsidiary has capital commitments of approximately Baht 2 million relating to acquisition of machinery (31 December 2015: Nil).

21.2 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 were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Payable:				
In up to 1 year	13	20	-	-
In over 1 and up to 5 years	4	5	-	-

21.3 Guarantees

- a) As at 30 June 2016, the Company and its subsidiary have obligations under their guarantees of loans and credit facilities provided to their related parties by banks and financial institutions totaling Baht 103 million (31 December 2015: Baht 111 million) (Separate financial statements: Baht 103 million (31 December 2015: Baht 106 million)).
- b) The Company and its subsidiaries have outstanding bank guarantees as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Guarantee electricity use	8	8	1	1
Other guarantees	4	8	-	-



21.4 Legal cases

- a) The Company faced a lawsuit in connection with the layoff its former executives, demanding compensation totaling Baht 32 million, but the Company pursued a countersuit. The Court of First Instance has ordered the Company to make payment amounting to Baht 10 million plus interest at the rate of 7.5% and 15% per annum. The case is currently under consideration of the Supreme Court. The Company then recorded provision for the litigation at the amount ordered by the Court of First Instance.
- 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. The Company has recorded the contingent liability as provision from guarantee for subsidiaries.

During the year 2015, the Company and these subsidiaries entered into compromise agreements with the bank in the presence of the Court to restructure their debts. Innovation Nakornluang Footwear Co., Ltd. and Modern Technology Component Co., Ltd. have already fully settled the debt under their restructuring agreements.

As at 30 June 2016, International Curity Footwear Co., Ltd. still had outstanding debts, as described in Note 14 to the financial statements, and the Company still recorded a contingent liability under provision from guarantee from subsidiaries of Baht 32 million.

- 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, the Appeal Court affirmed the decision of the lower court. The Company recorded provision for the litigation amounting to Baht 19 million as ordered by the Court.

During the current period, the Supreme Court ordered the Company to make payment amounting to Baht 5 million plus interest charged 7.5% per annum to that related company. The Company reverses the provision for litigation of Baht 12 million in profit or loss in the financial statements for the current period and remains such provision in accordance with the order by the Supreme Court.



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- d) A subsidiary faced the lawsuit in connection with layoff of its former executives, demanding compensation totaling Baht 12 million. The Court of First Instance dismissed the case, and so the plaintiff appealed to the Supreme Court. The case is currently under consideration of the Supreme Court.
- e) A subsidiary was sued by a related company for the unpaid rental and damages for breach of the car rental agreements. The Court of First Instance has ordered the subsidiary to make payment totaling Baht 2 million plus interest at the rate of 7.5% per annum, and the subsidiary recorded a portion of such liabilities in its account. The remaining amount was recorded as provision for litigation in accordance with the order by the Court of First Instance. In June 2016, the subsidiary filed a petition requesting the Court to reconsider the case, and is currently waiting for the Court to decide whether it will reconsider the case.
- f) A subsidiary was sued by a related company for the unpaid rental and damages for breach of the car rental agreements. The Court of First Instance has ordered the subsidiary to make payment totaling Baht 0.2 million plus interest at the rate of 7.5% per annum. In June 2016, the subsidiary filed a petition requesting for reconsideration of the court order, but the Court denied the request. Consequently, the subsidiary recorded a portion of such liabilities in its account. The remaining amount was recorded as provision for litigation in accordance with the order by the Court of First Instance.
- g) Five subsidiaries were sued by a related company for the unpaid rental and damage for breach of the car rental agreement amounting to Baht 6 million. The Court scheduled mediation and court hearing in the period from August to September 2016.

22. Financial instruments

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		Financial liabilities		Average exchange rate	
	30 June 2016 (Million)	31 December 2015 (Million)	30 June 2016 (Million)	31 December 2015 (Million)	30 June 2016 (Baht per 1 foreign currency unit)	31 December 2015 (Baht per 1 foreign currency unit)
US dollar	0.5	0.5	0.1	0.2	35.1802	36.0886

23. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Boards of Directors on 10 August 2016.

