

Pan Asia Footwear Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2016



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Independent Auditor's Report

To the Shareholders of Pan Asia Footwear Public Company Limited

Qualified Opinion

I have audited the accompanying consolidated financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pan Asia Footwear Public Company Limited for the same period.

In my opinion, except for the possible effects on the matter described in the Basis for Qualified Opinion on the section of my report, 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 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

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 2016 of PA Capital Company Limited, the associated company, and its subsidiary companies. The latest financial statements of the associated company available to the Company were the financial statements for the year ended 31 December 2015, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements. Thus, I was unable to audit the carrying amount of the investment in associate which is accounted for under the equity method in the consolidated statement of financial position and under cost method in the separate statement of financial position as at 31 December 2016 and I was unable to apply other auditing procedures to satisfy myself as to the value of such investment in associate, included the related accounts in the statement of comprehensive income. This matter is considered to be a scope limitation imposed by circumstance. In addition, I issued the qualified opinion on the 2015 consolidated and separate financial statements due to the same reason and currently, I have not been furnished with the up-to-date consolidated financial statements of the associated company and its subsidiary companies as well for such period.



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Consequently, I was unable to determine whether and to what extent any adjustments were required to adjust the value of investment in associate, including the related accounts in the consolidated and separate financial statements for the years 2016 and 2015. If adjustments were necessary, they would affect the investment in associate and retained earnings in the consolidated and separate statement of financial position as at 31 December 2016 and 2015, and the share of profit from associate and relevant elements in the consolidated statement of comprehensive income and impairment loss on investment and relevant elements in the separate statement of comprehensive income for the years 2016 and 2015, including the relevant elements in the consolidated and separate statements of changes in shareholders' equity and cash flows for the years 2016 and 2015.

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1.2 to the financial statements, regarding the ability of the Group to continue as a going concern. As presented in the separate statement of financial position as at 31 December 2016, the Company has current liabilities exceeded current assets by Baht 179 million. In addition, several subsidiaries have operating loss, several subsidiaries have large deficits, and there are indicators of possible persistent losses in the future. Several subsidiaries ceased their operations. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

In addition to the matter described in *the Basis for Qualified Opinion and the Material Uncertainty Related to Going Concern* section, key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

Revenue from sales is one of the significant accounting transactions of the Group, representing 80% of total revenue of the Group. The sales amount recorded in the accounts has a direct effect on the Group's operating results. In addition, the Group have sales to a large number of customers in several business sectors with a varying of commercial terms. There is therefore a risk related to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period to assess whether revenue recognition was consistent with the sales conditions, and whether it was in compliance with the Group's policy.
- Reviewing credit notes that the Group issued after the accounting period.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

Impairment of investments in subsidiaries

Because several subsidiaries have operating losses and several subsidiaries have large deficits, with indications of possible persistent losses in the future, the process of determining the impairment loss of investments in the subsidiaries, requires significant management judgement with respect to its projections of future operating performance of the subsidiaries, and determination of an appropriate discount rate and key assumptions. There is thus a risk with respect to the amount of impairment loss recorded on investments in subsidiaries.

I gained an understanding of management's decision - making process and assessed the following:

- The assumptions applied in preparing 5-year plans and cash flow projections for the subsidiaries, based on the understanding I gained of the process by which the figures were arrived at comparison of past cash flow projections with actual operating results in order to assess the exercise of management judgement in estimating cash flow projections, and comparison of the long-term growth rate of the subsidiaries with economic and industry forecasts.
- The discount rate, based on comparison of the average cost of capital and other data with those used by comparable organisations.
- Considering the scope and probability of potential changes in the key assumptions

Other Information

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

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

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

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Miss Manee Rattanabunnakit

Manee Rattanabunnakit

Certified Public Accountant (Thailand) No. 5313

EY Office Limited

Bangkok: 28 February 2017

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Assets					
Current assets					
Cash and cash equivalents	6	74,690,910	113,467,195	3,030,258	23,257,571
Current investments	7	6,515,947	35,042,810	-	-
Trade and other receivables	8	147,817,594	156,407,944	9,236,350	6,846,218
Short-term loans to related parties and others	9	1,207,969	2,767,969	-	-
Inventories	10	89,325,971	82,309,758	-	2,700,420
Other current assets		8,304,599	14,975,916	1,445,849	2,323,844
		<u>327,862,990</u>	<u>404,971,592</u>	<u>13,712,457</u>	<u>35,128,053</u>
Assets classified as held for sale	11	-	1,322,225	-	5,000,000
Total current assets		<u>327,862,990</u>	<u>406,293,817</u>	<u>13,712,457</u>	<u>40,128,053</u>
Non-current assets					
Restricted bank deposits	12	6,443,449	6,603,737	1,349,000	1,349,000
Investments in available-for-sale securities	13	40,000	50,000	40,000	50,000
Investments in subsidiaries	14	-	-	262,101,092	232,693,913
Investments in associates	15	-	13,349,958	-	-
Investments in related parties	16	8,565,477	8,984,827	7,325,150	7,744,500
Long-term loans to related parties	9	-	-	-	-
Investment properties	17	280,569,891	219,669,566	335,866,294	348,570,342
Property, plant and equipment	18	115,084,342	83,063,828	9,759,125	11,893,713
Goodwill	19	-	-	-	-
Biological asset	24	12,558,000	-	-	-
Leasehold right		-	-	-	-
Receivables from guarantee - related parties	9	-	-	-	-
Deferred tax assets	28	267,641	205,027	-	-
Other non-current assets		9,207,863	14,965,101	4,492,003	2,168,815
Total non-current assets		<u>432,736,663</u>	<u>346,892,044</u>	<u>620,932,664</u>	<u>604,470,283</u>
Total assets		<u>760,599,653</u>	<u>753,185,861</u>	<u>634,645,121</u>	<u>644,598,336</u>

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



Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts	20	18,156,690	7,229,341	14,165,283	3,234,310
Trade and other payables	21	107,548,510	146,053,026	17,192,618	35,713,487
Short-term loans from related parties	9	100,000,000	100,000,000	161,000,000	100,000,000
Current portion of liabilities under finance lease agreements		2,857,171	2,559,286	-	-
Current portion of long-term loans under debt restructuring agreement	22	-	13,080,000	-	-
Current portion of liabilities under debt settlement agreement	24	-	-	-	13,080,000
Income tax payable		3,058,395	4,108,009	-	-
Other current liabilities		3,069,400	3,570,964	494,578	477,170
Total current liabilities		234,690,166	276,600,626	192,852,479	152,504,967
Non-current liabilities					
Liabilities under finance lease agreements, net of current portion		4,238,853	1,636,771	-	-
Long-term loans under debt restructuring agreement, net of current portion	22	-	68,897,897	-	-
Accrued interest under debt restructuring agreement	22	-	88,335,481	-	-
Liabilities under debt settlement agreement, net of current portion	24	-	-	-	68,897,897
Provision for long-term employee benefits		7,804,548	4,325,323	560,504	522,313
Long-term provisions	23	18,990,110	29,864,613	17,864,613	61,564,371
Deferred tax liabilities	28	4,521,028	3,337,609	653,951	503,143
Other non-current liabilities		5,785,868	5,785,868	3,023,000	3,023,000
Total non-current liabilities		41,340,407	202,183,562	22,102,068	134,510,724
Total liabilities		276,030,573	478,784,188	214,954,547	287,015,691

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 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Shareholders' equity					
Share capital	25				
Registered					
540,000,000 ordinary shares of Baht 0.51 each		275,400,000	275,400,000	275,400,000	275,400,000
Issued and fully paid-up					
540,000,000 ordinary shares of Baht 0.51 each		275,400,000	275,400,000	275,400,000	275,400,000
The Company's shares held by subsidiaries		(17,552,525)	(17,552,525)	-	-
Retained earnings					
Appropriated - statutory reserve	26	13,028,470	-	13,028,470	-
Unappropriated (deficit)		178,106,820	(39,416,599)	131,346,104	82,256,645
Other component of shareholders' equity		4,857,700	(74,000)	(84,000)	(74,000)
Equity attributable to owners of the Company		453,840,465	218,356,876	419,690,574	357,582,645
Non-controlling interests of the subsidiaries		30,728,615	56,044,797	-	-
Total shareholders' equity		484,569,080	274,401,673	419,690,574	357,582,645
Total liabilities and shareholders' equity		760,599,653	753,185,861	634,645,121	644,598,336

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 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales		727,009,616	505,422,142	16,535,384	14,515,364
Revenues from hire of work		30,019,791	27,565,768	-	-
Interest income		714,699	29,583,679	105,257	12,349,134
Dividend income		350,000	151,000	3,948,500	9,150,790
Gain on sales of assets		24,525,432	26,972,899	15,704,838	10,356,190
Gain on sales of investments		6,412,851	24,101,889	230,650	986,616
Gain on debt restructuring		90,096,320	39,068,362	-	-
Other income		28,552,021	33,442,281	16,288,025	9,414,802
Total revenues		907,680,730	686,308,020	52,812,654	56,772,896
Expenses					
Cost of sales and hire of work		644,194,809	452,803,424	13,416,028	25,160,484
Selling expenses		12,202,809	9,524,773	2,135,422	3,043,322
Administrative expenses		120,441,545	105,181,701	29,684,112	33,424,136
Reversal of allowance for doubtful accounts		(130,793,680)	(68,480,181)	(28,752,974)	(56,359,545)
Reversal of provision for litigation		(10,874,504)	-	(12,000,000)	-
Reversal of provision from guarantee for subsidiary		-	-	(31,699,757)	(141,638,377)
Other expenses		374,212	3,047,825	300,000	24,806
Total expenses		635,545,191	502,077,542	(26,917,169)	(136,345,174)
Profit before share of profit from investments					
in associates, finance cost and income tax expenses		272,135,539	184,230,478	79,729,823	193,118,070
Share of profit from investments in associates	15.2	46,401	10,162,742	-	-
Profit before finance cost and income tax expenses		272,181,940	194,393,220	79,729,823	193,118,070
Finance cost		(11,179,313)	(20,066,277)	(6,446,345)	(5,724,875)
Profit before income tax expenses		261,002,627	174,326,943	73,283,478	187,393,195
Income tax (expenses) benefit	28	(6,299,181)	(6,996,188)	(150,808)	43,600
Profit for the year before loss from discontinued operations		254,703,446	167,330,755	73,132,670	187,436,795
Loss for the year from discontinued operations		-	(1,017,558)	-	-
Profit for the year		254,703,446	166,313,197	73,132,670	187,436,795

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



Pan Asia Footwear Public Company Limited and its subsidiaries
Statement of comprehensive income (continued)
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Loss on change in value of available-for-sale investments - net of income tax		(10,000)	(8,000)	(10,000)	(8,000)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss - net of income tax		(1,279,899)	-	-	-
Other comprehensive income for the year		<u>(1,289,899)</u>	<u>(8,000)</u>	<u>(10,000)</u>	<u>(8,000)</u>
Total comprehensive income for the year		<u>253,413,547</u>	<u>166,305,197</u>	<u>73,122,670</u>	<u>187,428,795</u>
Profit attributable to:					
Equity holders of the Company		242,364,415	162,946,859	<u>73,132,670</u>	<u>187,436,795</u>
Non-controlling interests of the subsidiaries		12,339,031	3,366,338		
		<u>254,703,446</u>	<u>166,313,197</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		241,483,216	162,938,859	<u>73,122,670</u>	<u>187,428,795</u>
Non-controlling interests of the subsidiaries		11,930,331	3,366,338		
		<u>253,413,547</u>	<u>166,305,197</u>		
Basic earnings per share					
Profit attributable to equity holder of the Company	29	<u>0.45</u>	<u>0.30</u>	<u>0.14</u>	<u>0.35</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 2016

(Unit: Baht)

	Consolidated financial statements									
	Equity attributable to owners of the Company									
	Other components of shareholders' equity									Total
	Issued and paid-up share capital	Share premium	The Company's shares held by subsidiaries	Retained earnings (deficit)		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	
Appropriated - statutory reserve				Unappropriated	Deficit on changes in value of available-for-sale investments					Other comprehensive income
Balance as at 1 January 2015	2,700,000,000	1,577,183	(17,552,525)	21,000,000	(2,649,640,641)	(66,000)	55,418,017	10,402,288	65,820,305	
Share capital reduction (Note 25)	(2,424,600,000)	(1,577,183)	-	(21,000,000)	2,447,277,183	-	-	-	-	
Profit for the year	-	-	-	-	152,946,859	-	152,946,859	3,366,338	166,313,197	
Other comprehensive income for the year	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)	
Total comprehensive income for the year	-	-	-	-	152,946,859	(8,000)	152,938,859	3,366,338	166,305,197	
Increase in non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	42,276,171	42,276,171	
Balance as at 31 December 2015	275,400,000	-	(17,552,525)	-	(39,416,599)	(74,000)	218,356,876	56,044,797	274,401,673	
Balance as at 1 January 2016	275,400,000	-	(17,552,525)	-	(39,416,599)	(74,000)	218,356,876	56,044,797	274,401,673	
Profit for the year	-	-	-	-	242,364,415	-	242,364,415	12,339,031	254,703,446	
Other comprehensive income for the year	-	-	-	-	(871,199)	(10,000)	(881,199)	(408,700)	(1,289,899)	
Total comprehensive income for the year	-	-	-	-	241,493,216	(10,000)	241,483,216	11,930,331	253,413,547	
Decrease in non-controlling interests of the subsidiaries (Note 14)	-	-	-	-	-	-	-	(37,195,513)	(32,253,813)	
Dividend paid (Note 32)	-	-	-	-	(11,014,742)	-	(11,014,742)	-	(11,014,742)	
Less: Dividend paid in respect of the Company's shares held by subsidiaries	-	-	-	-	73,415	-	73,415	-	73,415	
Dividend paid - net	-	-	-	-	(10,941,327)	-	(10,941,327)	-	(10,941,327)	
Transferred unappropriated retained earnings to statutory reserve	-	-	-	13,028,470	(13,028,470)	-	-	-	-	
Decrease in non-controlling interests of the subsidiary from dividend payment of the subsidiary	-	-	-	-	-	-	-	(51,000)	(51,000)	
Balance as at 31 December 2016	275,400,000	-	(17,552,525)	13,028,470	178,106,820	(84,000)	453,840,465	30,728,615	484,569,080	

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 (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statements						Total shareholders' equity
	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Other component of equity		
			Appropriated	Unappropriated	Other comprehensive income	Deficit on changes in value of available-for-sale investments	
			- statutory reserve				
Balance as at 1 January 2015	2,700,000,000	1,677,183	21,000,000	(2,552,457,333)	(66,000)	170,153,850	
Share capital reduction (Note 25)	(2,424,600,000)	(1,677,183)	(21,000,000)	2,447,277,183	-	-	
Profit for the year	-	-	-	187,436,795	-	187,436,795	
Other comprehensive income for the year	-	-	-	-	(8,000)	(8,000)	
Total comprehensive income for the year	-	-	-	187,436,795	(8,000)	187,428,795	
Balance as at 31 December 2015	275,400,000	-	-	82,256,645	(74,000)	357,582,645	
Balance as at 1 January 2016	275,400,000	-	-	82,256,645	(74,000)	357,582,645	
Profit for the year	-	-	-	73,132,670	-	73,132,670	
Other comprehensive income for the year	-	-	-	-	(10,000)	(10,000)	
Total comprehensive income for the year	-	-	-	73,132,670	(10,000)	73,122,670	
Dividend paid (Note 32)	-	-	-	(11,014,741)	-	(11,014,741)	
Transferred unappropriated retained earnings to statutory reserve	-	-	13,028,470	(13,028,470)	-	-	
Balance as at 31 December 2016	275,400,000	-	13,028,470	131,346,104	(84,000)	419,690,574	



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

Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before tax	261,002,627	174,326,943	73,283,478	187,393,195
Loss from discontinued operations	-	(1,017,558)	-	-
Profit for the year	261,002,627	173,309,385	73,283,478	187,393,195
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	27,191,567	14,908,208	7,048,386	8,033,300
Reversal of allowance for doubtful accounts	(130,793,680)	(68,480,181)	(28,752,974)	(56,359,545)
Reduce cost to net realisable value (reversal)	(98,919,168)	4,198,111	(58,649,865)	3,469,565
Allowance for impairment loss on assets	74,212	11,596	-	-
Gain on sales of property, plant and equipment	(11,648,721)	(26,377,615)	(10,876,588)	(9,760,906)
Gain on sales of investment properties	(12,876,711)	(595,284)	(4,828,250)	(595,284)
Share of profit from investments in associates	(46,401)	(10,162,742)	-	-
Gain (loss) on fair value measurement of previously held equity interest	333,874	(3,997,341)	-	-
Gain from a bargain purchase of equity interest in a subsidiary	(6,478,852)	(1,557,470)	-	-
Gain on disposal of investment that classified as held for sales	(6,182,201)	(24,101,889)	-	(986,616)
Gain on disposal of investment in related party	(230,650)	-	(230,650)	-
Allowance for impairment loss on investments	300,000	-	300,000	-
Reversal of provision for litigation	(10,874,504)	-	(12,000,000)	-
Reversal of provision from guarantee for subsidiaries	-	-	(31,699,757)	(141,638,377)
Provision for long-term employee benefits (reversal)	1,030,973	465,042	38,191	(13,396)
Gain on debt restructuring	(90,096,320)	(39,068,362)	-	-
Unrealised loss (gain) on exchange	(93,031)	37,962	(21,666)	27,417
Interest income	(714,699)	(29,583,679)	(105,257)	(12,349,134)
Dividend income	(350,000)	(151,000)	(3,948,500)	(9,150,790)
Interest expenses	11,179,313	20,066,277	6,446,345	5,724,875
Profit (loss) from operating activities before changes in operating assets and liabilities	(68,192,372)	8,921,018	(63,997,107)	(26,205,696)
Operating assets (increase) decrease				
Trade and other receivables	28,889,557	13,789,614	(5,494,394)	(8,890,057)
Inventories	93,949,386	10,723,960	61,350,285	6,833,731
Other current assets	6,462,029	(4,274,132)	877,995	(1,109,389)
Other non-current assets	(8,047,283)	(4,213,234)	(78,500)	1,285,113
Assets of subsidiaries that classified as held for sale	-	(5,652,500)	-	-
Receivables from guarantee	-	-	-	(30,718,925)

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



Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Operating liabilities increase (decrease)				
Trade and other payables	(37,919,070)	(10,978,459)	(13,591,087)	4,468,829
Other current liabilities	(696,990)	(49,679)	17,408	(295,791)
Short-term provisions	-	(110,000)	-	-
Other non-current liabilities	-	2,403,995	-	3,000,000
Paid for provision for long-term employee benefits	-	(72,000)	-	-
Liabilities directly associated with assets of subsidiaries that classified as held for sales	-	6,670,057	-	-
Cash from (used in) operating activities	14,445,257	17,158,640	(20,915,400)	(51,632,185)
Cash paid for income tax	(9,626,094)	(3,095,286)	(488,078)	(406,824)
Income tax refunded	5,754,253	10,349,993	1,243,390	10,182,369
Net cash from (used in) operating activities	10,573,416	24,413,347	(20,160,088)	(41,856,640)
Cash flows from investing activities				
Increase in cash from change in status of associate to be subsidiary	11,512,746	17,776,890	-	-
Decrease in restricted bank deposits	160,288	238,512	-	-
Decrease in current investments	28,526,863	100,429,595	-	40,463,337
Cash receipt from short-term loans to related parties	1,560,000	4,347,699	-	-
Increase in long-term loans to related parties	-	-	-	(4,480,000)
Cash receipt from long-term loans to related parties	1,438,833	60,000	2,450,000	25,948,294
Proceeds from sales of investment in a related party	350,000	-	350,000	-
Proceeds from sales of investments in a subsidiary	-	3,454,300	-	3,454,300
Cash paid for investment in a subsidiary	-	(10,331,703)	-	(3,907,000)
Advance payment for investment in a related party	(5,000,000)	-	(3,000,000)	-
Dividend received	350,000	151,000	3,948,500	9,150,790
Acquisition of property, plant and equipment	(19,875,064)	(22,451,500)	(2,031,556)	(9,510,922)
Proceeds from sales of property, plant and equipment	12,042,400	28,520,956	11,731,644	22,002,592
Acquisition of investment properties	-	(6,301,994)	-	(6,301,994)
Proceeds from sales of investment properties	13,795,000	2,400,000	13,795,000	2,400,000
Interest income	912,887	1,730,888	105,257	11,884,970
Net cash from investing activities	45,773,953	120,024,643	27,348,845	91,104,367
Cash flows from financing activities				
Decrease (increase) in bank overdrafts	10,927,349	(53,700,846)	10,930,973	(41,493,179)
Cash receipt from short-term loans from related parties	-	-	61,000,000	-
Repayment of liabilities under finance lease agreements	(3,662,305)	(3,112,386)	-	-
Repayment of long-term loans	-	(42,452,110)	-	-
Repayment of liabilities under debt settlement agreement	(81,977,897)	-	(81,977,897)	(2,180,000)
Cash receipt from non-controlling interests of a subsidiary for investment in a subsidiary	-	3,000	-	-
Dividend paid	(10,941,327)	-	(11,014,741)	-
Dividend paid for non-controlling interest of a subsidiary	(51,000)	-	-	-
Cash paid for interest expenses	(9,418,474)	(13,391,594)	(6,354,405)	(5,806,615)
Net cash used in financing activities	(95,123,654)	(112,653,936)	(27,416,070)	(49,479,794)
Net increase (decrease) in cash and cash equivalents	(38,776,285)	31,784,054	(20,227,313)	(232,067)
Cash and cash equivalents at the beginning of year	113,467,195	81,683,141	23,257,571	23,489,638
Cash and cash equivalents at end of year	74,690,910	113,467,195	3,030,258	23,257,571

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 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Supplementary cash flows information:				
Non-cash transactions:				
Equipment increased due to payment receipt from an account receivable - subsidiary	-	-	-	12,090,000
Transfer equipment to investment in a subsidiary	-	-	-	(12,090,000)
Investment properties increased due to payment receipt from an account receivable - subsidiary and the increase in liabilities under debt settlement agreement	-	96,210,000	-	96,210,000
Transfer assets used in the operations to investment properties	-	17,603,157	-	146,503,934
Investment in subsidiary increased due to payment receipt from an account receivable - subsidiary	-	-	29,407,180	56,885,792
Change in status of investment in associate to investment in subsidiary	13,396,359	44,507,227	-	17,327,966
Assets acquired under finance lease agreement	5,963,000	5,466,000	-	-
Transfer short-term loan from a financial institution to long-term loan under debt restructuring agreement	-	91,787,897	-	-
Transfer accrued interest from short-term loan to accrued interest under debt restructuring agreement	-	88,335,481	-	-
Long-term loans to related parties decreased due to the debt forgiveness	-	1,820,000	-	-
Biological asset increased due to payment receipt from an account receivable - associate	12,558,000	-	-	-
Investment properties increased due to payment receipt from an account receivable - associate	62,960,000	-	-	-
Transfer non-current assets to equipment	8,561,136	-	-	-

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 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, Sriracha, Chonburi.

1.2 Going concern

As presented in the separate statement of financial position as at 31 December 2016, the Company has current liabilities exceeded current assets by Baht 179 million. In addition, several subsidiaries have operating losses and several subsidiaries have large deficits, with indicators of possible persistent losses in the future. Several subsidiaries had ceased their operations. Although these conditions raise substantial doubt about their ability to continue as a going concern. However, the Company had restructured its business and the Company and its subsidiaries had entered into the debt restructuring agreement with the bank as described in Note 22 to the financial statements. In addition, the Company and its subsidiaries had entered into the debt restructuring and transfer agreement with a related company as described in Note 24 to the financial statements. 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	
			2016 Percent	2015 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
Pan Tech R&D Company Limited (registered its dissolution with the Ministry of Commerce on 13 May 2016)	In the process of liquidation	Thailand	100.00	100.00
Pan Asia Garment (Laos) Company Limited	Ceased operation	Laos	-	100.00
Exact Q Company Limited	Dyeing of fabric	Thailand	99.98	99.98
Modern Technology Component Company Limited	Manufacture of footwear parts	Thailand	100.00	100.00
Advantage Footwear Company Limited	Manufacture of footwear and footwear parts	Thailand	65.02	58.82
Aphakorn Industries Company Limited (2016: Status changed to subsidiary)	Manufacture and repair of plastic injection molds	Thailand	65.71	-
<u>Subsidiaries held by Kabinburi Pan Asia Footwear Company Limited</u>				
Pan Component Company Limited	In the process of liquidation	Thailand	100.00	100.00
Burirum Pan Footwear Company Limited	In the process of liquidation	Thailand	69.27	69.27

- b) The Company is deemed to have control over an investee or subsidiaries 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.
- c) 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.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.



- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) 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 present investments in subsidiaries and associates under the cost method.

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and 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 its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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 management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.



TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company's and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate 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.

Dividends

Dividends are recognised when the right to receive the dividends is established.

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 are charged to production costs whenever consumed.

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 Company and its 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.



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 years
Plants and buildings	-	5 - 40 years
Machinery and equipment	-	3 - 15 years
Furniture, fixtures and office equipment	-	3 - 10 years
Motor vehicles	-	5 - 10 years
Utilities	-	5 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.



ADM ✓ *W. B. Depina*

4.9 Agriculture

The subsidiary's biological assets are trees, which measure at their fair value less costs to sell.

The fair value of biological assets is determined based on fair value less estimated selling costs. Gains or losses on changes in fair value of biological asset are recognised in profit or loss.

4.10 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises 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.

4.11 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.

4.12 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.



4.13 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. 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.

4.14 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 subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the subsidiaries. The fund's assets are held in a separate trust fund and the 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.



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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 other comprehensive income.

4.15 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.

4.16 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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4.17 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.

4.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

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:



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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.

Impairment of investments in subsidiaries

The Company will record impairment loss on investments in subsidiaries when the objective evidence of impairment exists. The determining impairment of investments in subsidiaries requires the management judgement with respect to its projections of future performance of the subsidiaries.

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.



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 33.3 to the financial statements.

6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	211	275	10	2
Bank deposits	74,480	113,192	3,020	23,256
Total	<u>74,691</u>	<u>113,467</u>	<u>3,030</u>	<u>23,258</u>

As at 31 December 2016, bank deposits in saving accounts carried interest at rates between 0.20% and 0.63% per annum (2015: 0.40% and 0.85% per annum) (Separate financial statements: between 0.37% and 0.50% per annum (2015: 0.40% and 0.85% per annum)).

7. Current investments

As at 31 December 2016, the Company and its subsidiaries have fixed deposits between 5 months to 1 years, carried interest at rates between 1.10% and 1.25% per annum (2015: 1.50% and 1.75% per annum).



8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	39,063	52,604	150	-
Past due				
Up to 3 months	31,111	23,090	308	131
3 - 6 months	2,386	8,282	-	112
6 - 12 months	901	9,374	-	301
Over 12 months	72,724	76,462	771	409
Total	146,185	169,812	1,229	953
Less: Allowance for doubtful accounts	(72,733)	(72,733)	(231)	(231)
Total trade receivables - related parties, net	73,452	97,079	998	722
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	36,436	33,770	2	558
Past due				
Up to 3 months	23,575	16,158	838	16
3 - 6 months	2,436	651	121	-
6 - 12 months	1,148	346	13	48
Over 12 months	10,923	10,427	251	297
Total	74,518	61,352	1,225	919
Less: Allowance for doubtful accounts	(10,557)	(10,271)	(8)	(8)
Total trade receivables - unrelated parties, net	63,961	51,081	1,217	911
Total trade receivables - net	137,413	148,160	2,215	1,633
<u>Other receivables</u>				
Other receivables - related parties	170,395	370,628	126,869	151,606
Other receivables - unrelated parties	22,373	16,883	13,664	7,101
Total	192,768	387,511	140,533	158,707
Less: Allowance for doubtful accounts	(182,363)	(379,263)	(133,512)	(153,494)
Total other receivables - net	10,405	8,248	7,021	5,213
Total trade and other receivables - net	147,818	156,408	9,236	6,846



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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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales of goods	-	-	3	2	Cost plus margins
Interest income	-	-	9	12	2.5 - 7.5% per annum
Other income	-	-	1	2	Cost plus margins or as indicated in the agreement
Purchases of goods	-	-	1	6	Cost plus margins
<u>Transactions with associates</u>					
Interest income	-	28	-	-	5.0% - 7.7% per annum
Other income	-	2	-	-	Cost plus margins or as indicated in the agreement
Purchase of goods	-	8	-	-	Cost plus margins
<u>Transactions with related companies</u>					
Sales of goods	324	223	2	-	Cost plus margins
Hire of work income	-	1	-	-	Cost plus margins
Other income	1	3	1	1	Cost plus margins or as indicated in the agreement
Purchases of goods	13	3	-	-	Cost plus margins
Public utilities expenses	6	4	-	-	As indicated in the agreement
Other expenses	10	7	-	-	As indicated in the agreement
<u>Transaction with related persons</u>					
Interest expenses	5	5	5	5	4.9% per annum



As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Trade and other receivables - related parties (Note 8)</u>				
Subsidiaries	-	-	89,005	95,576
Associates	92,144	293,079	153	18,294
Related companies (related by common shareholders and directors)	224,436	247,361	38,940	38,689
Total	316,580	540,440	128,098	152,559
Less: Allowance for doubtful accounts	(239,618)	(439,685)	(126,135)	(148,982)
Net	76,962	100,755	1,963	3,577
<u>Receivables from guarantee - related parties</u>				
Subsidiaries	-	-	24,026	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	75,046	98,794
Less: Allowance for doubtful accounts	(51,020)	(51,020)	(75,046)	(98,794)
Net	-	-	-	-
<u>Trade and other payables - related parties (Note 21)</u>				
Subsidiaries	-	-	6,606	9,803
Associates	643	18,773	289	292
Related companies (related by common shareholders)	24,898	34,773	5,779	13,570
Total	25,541	53,546	12,674	23,665

Short-term loans to related parties and others

As at 31 December 2016 and 2015, 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			As at
	1 January	Increase	Decrease	31 December
	<u>2016</u>			<u>2016</u>
<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)

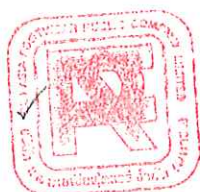
	Consolidated financial statements			
	As at			As at
	1 January			31 December
	2016	Increase	Decrease	2016
Related companies				
Thai Sung Shin New Material Co., Ltd.	2,600	2,000	-	4,600
Natural Art and Technology Co., Ltd.	2,375	-	(1,500)	875
Total	4,975	2,000	(1,500)	5,475
Total short-term loans to related parties	5,825	2,000	(1,500)	6,325
Less: Allowance for doubtful accounts	(3,450)	(2,000)	-	(5,450)
Total short-term loans to related parties - net	2,375	-	(1,500)	875
Short-term loans to others	393	-	(60)	333
Total short-term loans to related parties and others, net	2,768	-	(1,560)	1,208

Long-term loans to related parties

As at 31 December 2016 and 2015, 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
	2016	Increase	Decrease	2016
<u>Long-term loans to related parties</u>				
Associates				
PA Capital Co., Ltd.	294,515	-	(204,375)	90,140
P.L. John Industries Co., Ltd.	10,700	-	-	10,700
Pek Engineering Co., Ltd.	9,540	-	-	9,540
Total	314,755	-	(204,375)	110,380
Related company				
Rangsit Footwear Co., Ltd.	2,109	-	-	2,109
Total	2,109	-	-	2,109
Total long-term loans to related parties	316,864	-	(204,375)	112,489
Less: Allowance for doubtful accounts	(316,864)	-	204,375	(112,489)
Total long-term loans to related parties, net	-	-	-	-



(Unit: Thousand Baht)

	Separate financial statements			
	As at		As at	
	1 January		31 December	
	2016	Increase	2016	Decrease
<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	-	21,650	(1,400)
Innovation Nakornluang Footwear Co., Ltd.	2,480	-	1,430	(1,050)
Total	121,544	-	119,094	(2,450)
Related company				
Rangsit Footwear Co., Ltd.	2,109	-	2,109	-
Total	2,109	-	2,109	-
Total long-term loans to related parties	123,653	-	121,203	(2,450)
Less: Allowance for doubtful accounts	(123,653)	-	(121,203)	2,450
Total long-term loans to related parties, net	-	-	-	-

Short-term loans from related parties

As at 31 December 2016 and 2015, the balances of short-term loans from related person and the movements are as follows:

	(Unit: Thousand Baht)					
	Consolidated financial statements			Separate financial statements		
	As at		As at	As at		As at
	1 January	Increase	31 December	1 January	Increase	31 December
2016		2016	2016		2016	
<u>Short-term loans from related parties</u>						
Subsidiaries						
Advantage Footwear Co., Ltd.	-	-	-	-	40,000	40,000
Excellent Rubber Co., Ltd.	-	-	-	-	11,000	11,000
Aphakorn Industries Co., Ltd.	-	-	-	-	5,000	5,000
Pontex (Thailand) Co., Ltd.	-	-	-	-	5,000	5,000
Total	-	-	-	-	61,000	61,000
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	61,000	161,000



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Directors and management's benefits

During the years ended 31 December 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	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	15,433	9,714	6,586	3,455
Post-employment benefits	62	59	33	32
Total	15,495	9,773	6,619	3,487

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with their related parties as described in Note 33.2 a) to the financial statements.

10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	30,191	80,486	(1,932)	(50,075)	28,259	30,411
Work in process	19,997	31,618	(220)	(12,134)	19,777	19,484
Raw materials	77,406	111,879	(42,076)	(80,677)	35,330	31,202
Raw materials in transit	3,029	603	-	-	3,029	603
Supplies	2,931	871	-	(261)	2,931	610
Total	133,554	225,457	(44,228)	(143,147)	89,326	82,310

(Unit: Thousand Baht)

	Separated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	1,776	39,300	(1,776)	(36,600)	-	2,700
Raw materials	39,642	63,468	(39,642)	(63,468)	-	-
Total	41,418	102,768	(41,418)	(100,068)	-	2,700



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In 2015, the Company and its subsidiaries reduced cost of inventories amounting to Baht 7 million (Separate financial statements: Baht 5 million), to reflect the net realisable value. This was included in cost of sales.

During the current year, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 99 million (2015: Baht 3 million) (Separate financial statements: Baht 59 million (2015: Baht 2 million)), and reduced the amount of inventories recognised as expenses during the year.

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. Restricted bank deposits

As at 31 December 2016 and 2015, 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 financial statements	
	<u>2016</u>	<u>2015</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	(84)	(74)
Provision for impairment of investments	(758,294)	(758,294)
Investments in available-for-sale securities, net	<u>40</u>	<u>50</u>

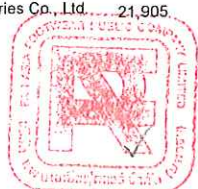
The Company had set aside full provision for impairment of investments in the ordinary shares of Bangkok Rubber Public Company Limited which is undergoing debt restructuring under the rehabilitation business plan.

14. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment on investments		Net		Dividend received during the years	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
			(%)	(%)								
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
Pantech R&D Co., Ltd.												
(registerd 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	59	45,695	37,614	-	-	45,695	37,614	-	-
Aphakorn Industries Co., Ltd.	21,905	-	66	-	21,326	-	-	-	21,326	-	3,599	-
Total					<u>2,462,735</u>	<u>2,433,328</u>	<u>(2,200,634)</u>	<u>(2,200,634)</u>	<u>262,101</u>	<u>232,694</u>	<u>3,599</u>	<u>9,000</u>



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As described in Note 24.1a) 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 year ended 31 December 2016.

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><u>21,326</u></u>	<u><u>21,326</u></u>



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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.

As described in Note 24.1 c) and 24.1 d) to the financial statements, in December 2016, an associate transferred 593,785 ordinary shares of AVF which represents 16.18% of the issued and paid-up share capital of that company for settled a debt with 2 subsidiaries. As a result, the shareholdings of the Company and its subsidiaries in AVF have increased to be 84.25%. The Company and its subsidiaries recorded the difference between the debt settlement and the net book value of AVF amounting to Baht 2.2 million, under "Difference resulting from change in shareholding in subsidiaries" in the consolidated statement of changes in shareholders' equity.

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	
			2016 (%)	2015 (%)	2016	2015	2016	2015
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	45.88	44.15	376,157	376,157	-	-
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 Industries Co., Ltd. (2016: Changes status to subsidiary)	Manufacture and repair of plastic injection molds	Thailand	-	30.87	-	11,672	-	13,350
P.L. John Industries Co., Ltd.	In the process of liquidation	Thailand	19.25	19.25	7,700	7,700	-	-
Total					404,856	416,528	-	13,350

(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	
			2016 (%)	2015 (%)	2016	2015	2016	2015	2016	2015
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	8.07	5.62	64,559	64,559	(64,559)	(64,559)	-	-
Total					64,559	64,559	(64,559)	(64,559)	-	-



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15.2 Share of comprehensive income

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	
	2016	2015
Aphakorn Industries Co., Ltd.	46	642
Advantage Footwear Co., Ltd.	-	9,521
Total	46	10,163

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 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 year ended 31 December 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 were presented, not consolidated financial statements, even though it has subsidiaries and associates. However, the Company recorded investment in this associate under the cost method and the equity method as equal to zero.



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15.4 Summarised financial information about the associates

Financial information of the associates is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit	
	as at		as at		as at		for the years		for the years	
	31 December		31 December		31 December		ended		ended	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
PA Capital Co., Ltd.	*	*	*	*	*	*	*	*	*	*
Nongchang Rubber Co., Ltd.	40	40	4	3	56	56	1	1	1	1
Uthai Bangkok Rubber Co., Ltd.	30	30	2	2	48	48	1	1	-	-
Aphakorn Industries Co., Ltd. (2016: Status changed to subsidiary)	-	22	-	39	-	6	-	28	-	2

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

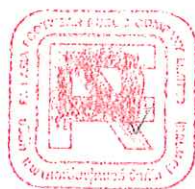
P.L. John Industries Co., Ltd. is in the process of liquidation as discussed in Note 15.1.

16. Investments in related parties

Details of investments in related parties are as follows:

(Unit : Thousand Baht)

Company's name	Consolidated financial statements							
	Cost		Allowance for impairment of investments		Net		Dividend received during the years	
	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	(8,532)	(8,232)	5,066	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	-	(1,631)	-	119	-	-
Pan Biotech 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	161,514	163,264	(152,948)	(154,279)	8,566	8,985	350	150



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(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Cost		Allowance for impairment of investments		Net		Dividend received during the years	
	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	(300)	-	3,968	4,268	-	-
Thai Takaya Co., Ltd.	2,308	2,308	-	-	2,308	2,308	300	-
Nana Solutions Co., Ltd.	-	119	-	-	-	119	-	-
Total	7,626	7,745	(300)	-	7,326	7,745	350	150

On 10 August 2016, the Board of Directors Meeting of the Company passed a resolution approving the Company and a subsidiary acquiring the increased share capital of Sahachol Foods Supplies Company Limited of 50,000 shares, amounting to Baht 5 million, which the Company and its subsidiary had advance payment of share subscription in December 2016 and recorded the advance payment under "Non-current assets" in the statement of financial position.

Such company registered its capital increase with the Ministry of Commerce on 26 January 2017. As a result, the Company and its subsidiary hold 0.015% (Separate financial statements: 0.009%) of the registered shares of that company.

17. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

	Consolidated financial statements			Separate financial statements		
	Land and land improvement	Building	Total	Land and land improvement	Building	Total
	As at 31 December 2016					
Cost	276,944	12,798	289,742	285,482	73,273	358,755
<u>Less</u> Accumulated depreciation	(1,409)	(4,912)	(6,321)	(1,409)	(18,629)	(20,038)
<u>Less</u> Provision for impairment	-	(2,851)	(2,851)	-	(2,851)	(2,851)
Net book value	275,535	5,035	280,570	284,073	51,793	335,866
As at 31 December 2015						
Cost	216,702	10,998	227,700	294,449	73,273	367,722
<u>Less</u> Accumulated depreciation	(145)	(5,035)	(5,180)	(145)	(16,156)	(16,301)
<u>Less</u> Provision for impairment	-	(2,851)	(2,851)	-	(2,851)	(2,851)
Net book value	216,557	3,112	219,669	294,304	54,266	348,570



A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	219,669	101,482	348,570	101,482
Acquisitions	-	6,302	-	6,302
Transfer from assets used in the operations	-	17,603	-	146,504
Additions due to payment receipt	62,960	96,210	-	96,210
Disposals	(918)	(1,805)	(8,967)	(1,805)
Depreciation for the year	(1,141)	(123)	(3,737)	(123)
Net book value at end of year	<u>280,570</u>	<u>219,669</u>	<u>335,866</u>	<u>348,570</u>

The fair value of the investment properties as at 31 December 2016 and 2015 stated below:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land awaiting sale	349	263	286	263
Land and building for rent	173	185	173	185

The fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land awaiting sale has been determined based on comparable market prices, while that of the land and building held for rent has been determined using the income approach. Key assumptions used in the valuation include yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates.

As at 31 December 2016, the Company has mortgaged investment properties with net book value amounting to Baht 223 million (2015: Baht 235 million) as collateral against loan from related person and credit facilities received from financial institutions.



18. Property, plant and equipment

(Unit: Thousand Baht)

Cost	Consolidated financial statements							Assets under installation and under construction	Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure			
1 January 2015	21,387	61,448	1,152,735	191,779	10,247	5,708	761	1,444,065	
Increase from change in status of associate to be subsidiary	-	-	89,149	19,864	782	-	-	109,795	
Additions	5,620	671	15,326	3,338	1,463	618	882	27,918	
Disposals/written off	(1,539)	(473)	(309,917)	(48,534)	(295)	-	-	(360,758)	
Transfers in (out)	-	-	-	388	-	-	(388)	-	
Transfers out as a result of disposal of investment classified as held for sale	-	(8,198)	(51,972)	(16,238)	-	(587)	(496)	(77,491)	
Transfers out to investment properties	(14,491)	(17,611)	-	-	-	-	-	(32,102)	
31 December 2015	10,977	35,837	895,321	150,597	12,197	5,739	759	1,111,427	
Increase from change in status of associate to be subsidiary	-	-	48,581	8,859	1,003	147	-	58,590	
Additions	-	768	13,192	6,571	1,468	742	391	23,132	
Transfer from other non-current assets	-	-	15,349	-	-	-	-	15,349	
Disposals/written off	-	(571)	(152,645)	(8,275)	(809)	-	(878)	(163,178)	
Transfers in (out)	-	267	-	-	-	-	(267)	-	
31 December 2016	10,977	36,301	819,798	157,752	13,859	6,628	5	1,045,320	



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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
Accumulated depreciation								
1 January 2015	247	43,811	1,025,989	168,943	8,830	4,822	5	1,252,647
Increase from change in status of associate to be subsidiary	-	-	71,777	19,210	658	-	-	91,645
Depreciation for the year	-	2,804	8,987	2,465	197	332	-	14,785
Depreciation of disposals/written off	-	(139)	(285,288)	(47,200)	(294)	-	-	(332,921)
Transfers out as a result of disposal of investment classified as held for sale	-	(4,333)	(46,917)	(14,766)	-	(580)	-	(66,596)
Transfers out to investment properties	-	(14,499)	-	-	-	-	-	(14,499)
31 December 2015	247	27,644	774,548	128,652	9,391	4,574	5	945,061
Increase from change in status of associate to be subsidiary	-	-	32,787	7,758	585	131	-	41,261
Depreciation for the year	-	674	13,928	3,497	736	428	-	19,263
Transfer from other non-current assets	-	-	6,788	-	-	-	-	6,788
Depreciation of disposals/written off	-	(339)	(116,466)	(8,259)	(809)	-	-	(125,873)
31 December 2016	247	27,979	711,585	131,648	9,903	5,133	5	886,500
Provision for impairment								
1 January 2015	-	2,852	104,498	1,349	-	-	-	108,699
Increase from change in status of associate to be subsidiary	-	-	285	-	-	-	-	285
Increase during the year	-	-	-	12	-	-	-	12
Decrease during the year	-	-	(24,360)	(1,334)	-	-	-	(25,694)
31 December 2015	-	2,852	80,423	27	-	-	-	83,302
Increase during the year	-	-	-	74	-	-	-	74
Decrease during the year	-	(2,852)	(36,788)	-	-	-	-	(39,640)
31 December 2016	-	-	43,635	101	-	-	-	43,736



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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
Net book value								
31 December 2015	10,730	5,341	40,350	21,918	2,806	1,165	754	83,064
31 December 2016	10,730	8,322	64,578	26,003	3,956	1,495	-	115,084
Depreciation for the year								
2015 (Baht 5.7 million included in manufacturing cost, and the balance in selling and administrative expenses)								14,785
2016 (Baht 16.3 million included in manufacturing cost, and the balance in selling and administrative expenses)								19,263



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(Unit: Thousand Baht)

	Separate 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	
Cost								
1 January 2015	98,654	70,211	279,646	49,112	5,557	756	105	504,041
Additions	5,620	671	11,215	1,382	1,445	618	650	21,601
Disposals/written off	(12,037)	-	(27,679)	(6,310)	-	-	-	(46,026)
Transfer to investment properties	(92,237)	(66,016)	-	-	-	-	-	(158,253)
31 December 2015	-	4,866	263,182	44,184	7,002	1,374	755	321,363
Additions	-	-	770	339	-	655	267	2,031
Disposals/written off	-	-	(114,111)	(339)	(809)	-	(755)	(116,014)
Transfers in (out)	-	267	-	-	-	-	(267)	-
31 December 2016	-	5,133	149,841	44,184	6,193	2,029	-	207,380
Accumulated depreciation								
1 January 2015	-	9,352	204,274	45,302	5,402	36	-	264,366
Depreciation for the year	-	4,256	1,910	1,191	313	240	-	7,910
Depreciation of disposals/written off	-	-	(13,327)	(5,167)	-	-	-	(18,494)
Transfer to investment properties	-	(11,749)	-	-	-	-	-	(11,749)
31 December 2015	-	1,859	192,857	41,326	5,715	276	-	242,033
Depreciation for the year	-	437	1,266	970	289	349	-	3,311
Depreciation of disposals/written off	-	-	(77,947)	(338)	(809)	-	-	(79,094)
31 December 2016	-	2,296	116,176	41,958	5,195	625	-	166,250



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(Unit: Thousand Baht)

	Separate 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	
Provision for impairment								
1 January 2015	-	-	70,636	-	-	-	-	70,636
Decrease during the year	-	-	(3,200)	-	-	-	-	(3,200)
31 December 2015	-	-	67,436	-	-	-	-	67,436
Decrease during the year	-	-	(36,065)	-	-	-	-	(36,065)
31 December 2016	-	-	31,371	-	-	-	-	31,371
Net book value								
31 December 2015	-	3,007	2,889	2,858	1,287	1,098	755	11,894
31 December 2016	-	2,837	2,294	2,226	998	1,404	-	9,759
Depreciation for the year								
2015 (Baht 0.9 million included in manufacturing cost, and the balance in selling and administrative expenses)								7,910
2016 (Baht 1.3 million included in manufacturing cost, and the balance in selling and administrative expenses)								3,311



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As at 31 December 2016, the subsidiaries had machinery and motor vehicles with net book value of Baht 12 million (2015: Baht 7 million) which were acquired under finance lease agreements.

As at 31 December 2016, 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 685 million (2015: Baht 451 million) (Separate financial statements: Baht 144 million (2015: Baht 191 million)).

The subsidiaries have pledged their property, plant and equipment amounting to approximately Baht 18 million (2015: Baht 10 million) as collateral against credit facilities received from financial institutions.

19. Goodwill

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2016</u>	<u>2015</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

		(Unit: Thousand Baht)			
		Consolidated		Separate	
	Interest rate	financial statements		financial statements	
	(% per annum)	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bank overdrafts	MOR, MLR	<u>18,157</u>	<u>7,229</u>	<u>14,165</u>	<u>3,234</u>

Bank overdrafts of the Company are secured by the mortgage of land and construction thereon. Bank overdrafts of subsidiaries are secured by the guarantees of the Company, the pledge of machinery, and the mortgage of land and construction thereon of subsidiaries as described in Notes 17 and 18 to the financial statements.



21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade accounts payable - related parties	7,677	25,598	3,656	6,886
Trade accounts payable - unrelated parties	52,173	51,851	908	928
Other payables - related parties	5,817	6,154	5,036	5,036
Other payables - unrelated parties	1,001	873	320	246
Accrued expenses - related parties	12,047	16,794	3,982	6,743
Accrued expenses - unrelated parties	27,297	38,693	3,256	10,839
Advance received for share subscription - related parties	-	5,000	-	5,000
Unearned revenue - unrelated parties	1,537	1,090	35	35
Total	107,549	146,053	17,193	35,713

22. 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 year ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated
	financial statements
Balance as at 1 January 2016	81,978
Less: Repayment	(81,978)
Balance as at 31 December 2016	-

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.

In December 2016, the Company and its subsidiary repaid loan principal under the debt restructuring agreement to the bank in full. The bank forgave the accrued interest that was deferred, so the Company and its subsidiary recorded gain on debt restructuring amounting to Baht 90 million in profit or loss in the consolidated financial statements for the current year.

23. Provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Provisions from guarantee	Provisions from litigation	Total
1 January 2015	241	47,309	47,550
Reversal of provisions	-	(17,685)	(17,685)
31 December 2015	241	29,624	29,865
Increase	-	1,125	1,125
Reversal of provisions	-	(12,000)	(12,000)
31 December 2016	241	18,749	18,990

(Unit: Thousand Baht)

	Separate financial statements		
	Provisions from guarantee	Provisions from litigation	Total
1 January 2015	173,579	29,624	203,203
Reversal of provisions	(141,639)	-	(141,639)
31 December 2015	31,940	29,624	61,564
Reversal of provisions	(31,699)	(12,000)	(43,699)
31 December 2016	241	17,624	17,865



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24. Debt restructuring and transfer agreement

24.1 Debt restructuring and transfer agreement between the Company, a subsidiary and an associate

24.1 a) In November 2015, the Company and International Curity Footwear Co., Ltd. (subsidiary/ICF) entered into the debt restructuring and transfer agreement with PA Capital Co., Ltd. (associate/PA), who had the outstanding debts with the Company and ICF amounting to Baht 284.0 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 147.4 million. 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.

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, since the shareholding of the Company and its subsidiary in such company has increased from 33.4% to 99.1%.

Subsequently, in February 2016, PA transferred the land with a detached house under article 3 to ICF, and as a result of the transfer of ordinary shares and land under articles 2 and 3, ICF reversed allowance for doubtful accounts amounting to Baht 40.4 million in profit or loss in the consolidated financial statements for the year 2016. Upon PA's full compliance with the debt restructuring and transfer agreement, the Company and ICF forgave outstanding principal and accrued interest totaling Baht 147.4 million for which they had previously set aside allowance for doubtful accounts in full.



24.1 b) In December 2016, Excellent Rubber Co., Ltd. (subsidiary/ERC) entered into the debt restructuring agreement with PA, who had the outstanding debts with ERC amounting to Baht 133.6 million. Under the agreement, PA is to settle debt of Baht 61.3 million with ERC by transferring 26 plots of land valued at Baht 48.7 million together with the biological assets thereon amounting to Baht 12.6 million.

If PA is able to make complete settlement of the debt, ERC will forgive PA the remaining principal and accrued interest, totaling Baht 72.3 million.

In December 2016, PA transferred the plots of land to ERC to settle its debt with ERC, and ERC therefore reversed allowance for doubtful accounts amounting to Baht 61.3 million in profit or loss in the consolidated financial statements for the year 2016. Consequently, ERC forgave outstanding principal and accrued interest totaling Baht 72.3 million for which it had previously set aside allowance for doubtful accounts in full.

24.1 c) In December 2016, Pan Component Co., Ltd. (subsidiary/PCC) entered into the debt restructuring agreement with PA, who had the outstanding debts with PCC amounting to Baht 28.9 million. Under the agreement, PA is to settle debt of Baht 15.0 million with PCC by transferring 502,513 ordinary shares of Advantage Footwear Co., Ltd. amounting to Baht 15.0 million.

If PA is able to make complete settlement of the debt, PCC will forgive PA the remaining principal and accrued interest, totaling Baht 13.9 million.

In December 2016, PA transferred the ordinary shares of Advantage Footwear Co., Ltd. to PCC to settle its debt with PCC, and PCC therefore reversed allowance for doubtful accounts amounting to Baht 15.0 million in profit or loss in the consolidated financial statements for the year 2016. Consequently, PCC forgave outstanding principal and accrued interest totaling Baht 13.9 million for which it had previously set aside allowance for doubtful accounts in full.

24.1 d) In December 2016, Modern Technology Component Co., Ltd. (subsidiary/MTC) entered into the debt restructuring agreement with PA, who had the outstanding debts with MTC amounting to Baht 31.3 million. Under the agreement, PA is to settle debt of Baht 15.0 million with MTC as follows:



1. Transfer 7 plots of land valued at Baht 11.2 million.
2. Transfer 91,272 ordinary shares of Advantage Footwear Co., Ltd. valued at Baht 2.7 million.
3. Payment for the outstanding debt valued at Baht 1.1 million.

If PA is able to make complete settlement of the debt, MTC will forgive PA the remaining principal and accrued interest, totaling Baht 16.3 million.

In December 2016, PA transferred the plots of land and the ordinary shares under No. 1 and No. 2 to MTC to settle its debt with MTC, and MTC therefore reversed allowance for doubtful accounts amounting to Baht 13.9 million in profit or loss in the consolidated financial statements for the year 2016. The debt under article 3 is still outstanding.

24.2 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 to the Company the assets received from PA in settlement of debt, in accordance with the debt restructuring and transfer agreement, as described in Note 24.1 a) to the financial statements, in order to settle debts amounting to Baht 40.4 million with the Company. Moreover, 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 22 to the financial statements.

During the current year, the Company settled the outstanding liabilities under the debt restructuring agreement in full with the bank.

25. Share capital

On 19 October 2015, the Extraordinary General Meeting of the Company's shareholders passed the following resolutions:

- a) Approved a transfer of Baht 21 million of legal reserve and Baht 1.68 million of premium on ordinary shares, in order to write off Baht 22.68 million of the retained losses of the Company.
- b) Approved a reduction of the Company's registered and paid-up share capital from Baht 2,700 million (540 million ordinary shares of Baht 5 each) to Baht 275.40 million (540 million ordinary shares of Baht 0.51 each), by decreasing the par value of each share, in order to write off Baht 2,424.60 million of the retained losses of the Company.



The Company registered its capital decrease with the Ministry of Commerce on 24 December 2015.

26. 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.

27. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries, wages and other employees				
benefit expenses	277,273	192,182	17,494	15,206
Depreciation and amortisation	27,192	14,908	7,048	8,033
Raw materials and consumables used	289,663	129,604	-	13,077
Changes in inventories of finished goods				
and work in progress	19,953	(12,197)	3,081	(4,856)

28. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Current income tax charge	7,063	3,083	-	-
Deferred tax:				
Relating to origination and reversal of				
temporary differences	(764)	3,913	151	(44)
Income tax expenses (benefit) reported in				
 the statements of comprehensive income	<u>6,299</u>	<u>6,996</u>	<u>151</u>	<u>(44)</u>



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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
Accounting profit before tax	261,003	174,327	73,283	187,393
Applicable tax rate of the Company	20%	20%	20%	20%
Accounting profit before tax multiplied by				
income tax rate	52,201	34,865	14,657	37,479
Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient	14,771	6,584	11,521	4,960
Utilisation of previously unrecognised deferred tax assets	(19,815)	(16,626)	-	-
Effects of preparing the consolidated financial statements	(23,205)	(17,018)	-	-
Share of profit from investments in associates	(10)	(2,033)	-	-
Effects of:				
Tax exempt revenue	(53,060)	(59,090)	(28,617)	(41,402)
Non-deductible expenses	36,648	63,159	3,471	1,374
Additional expense deductions allowed	(1,217)	(2,620)	(881)	(2,455)
Others	(14)	(225)	-	-
Total	17,643	1,224	(26,027)	(42,483)
Income tax expenses (benefit) reported in the statement of comprehensive income	6,299	6,996	151	(44)

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	financial statements	financial statements
	2016	2015	2016	2015
Deferred tax assets				
Provision for long-term employee benefits	1,449	815	-	-
Total	1,449	815	-	-
Deferred tax liabilities				
Accumulated depreciation - building	(4,279)	(1,180)	(654)	(503)
Accumulated depreciation - machinery and equipment	(1,423)	(2,768)	-	-
Total	(5,702)	(3,948)	(654)	(503)



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As at 31 December 2016, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 1,636 million (2015: Baht 1,758 million) (Separate financial statements: Baht 899 million (2015: Baht 995 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.

29. Earnings per share

Basic earnings per share is calculated by dividing profit 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.

30. 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 2016, the Company and its subsidiaries have revenue from 1 major customer in amount of Baht 135 million (2015: Baht 167 million derived from 2 major customers).

31. Provident fund

The subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The subsidiaries and their employees contribute to the fund monthly at the rate of 3% of basic salary. The fund, which is managed by Krung Thai Asset Management Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contribution for the year 2016 amounting to approximately Baht 2 million (2015: Baht 1 million) were recognised as expenses.



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32. Dividend paid

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

33. Commitments and contingent liabilities

33.1 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building space, machinery and motor vehicles and service contracts. 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 financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	19	20	-	-
In over 1 and up to 5 years	3	5	-	-

33.2 Guarantees

- a) As at 31 December 2016, the Company and its subsidiaries have obligations under its guarantees of loans and credit facilities provided to their related parties by banks and financial institutions totaling Baht 96 million (2015: Baht 111 million) (Separate financial statements: Baht 96 million (2015: Baht 106 million)).
- b) The Company and its subsidiaries have outstanding bank guarantees as follows:

(Unit: Million Baht)

	As at 31 December			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Guarantee electricity use	8	8	1	1
Other guarantees	4	8	-	-



33.3 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 rates 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.
- 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.

Consequently, in December 2016, the Company has already fully settled the outstanding debt of International Curity Footwear Co., Ltd. under the debt restructuring agreement as described in Note 22 to the financial statements. The Company reversed provision from guarantee for subsidiaries amounting to Baht 32 million in the profit or loss in the separate financial statements for the current year.

- 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 Company recorded provision for the litigation amounting to Baht 19 million as ordered by court.



During the current year, 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 year 2016 and remains such provision in accordance with the order by the Supreme Court.

- d) A subsidiary faced the lawsuit in connection with layoff 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. In September 2016, the Supreme Court affirmed the decision of the lower court, and the case was therefore finalised.
- e) Two subsidiaries were 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 these subsidiaries to make payment totaling Baht 2.5 million plus interest at the rate of 7.5% per annum. In June 2016, these subsidiaries filed a petition requesting for reconsideration of the court order, but the Court denied the request. The subsidiaries recorded a portion of such liabilities in their account. Therefore, the remaining amount was recorded as provision for litigation in accordance with the order by the Court of First Instance.
- f) 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. In August, September and November 2016, the Court dismissed the cases against five subsidiaries because the statute of limitation was expired.

34. Fair value hierarchy

As at 31 December 2016, the Company and its subsidiaries had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

	(Unit: Million Baht)			
	Consolidated financial statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Biological assets	-	-	13	13
Assets for which fair are disclosed				
Investment properties	-	-	522	522



(Unit: Million Baht)

	Separate financial statements			
	Level 1	Level 2	Level 3	Total
Assets for which fair are disclosed				
Investment properties	-	-	459	459

35. Financial instruments

35.1 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 financial institutions, bank overdrafts, short-term and long-term borrowings. Most 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 2016

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Floating interest rate	Non- interest bearing		
Financial assets						
Cash and cash equivalents	-	-	57	18	75	0.20 - 0.63
Current investments	3	-	-	-	3	1.10 - 1.25
Trade and other receivables	-	-	-	148	148	-
Short-term loans to related parties and others	1	-	-	-	1	7.50 - 8.63
Restricted bank deposits	10	-	-	-	10	0.40 - 1.50
	14	-	57	166	237	
Financial liabilities						
Bank overdrafts	-	-	18	-	18	MOR, MLR
Trade and other payables	-	-	-	108	108	-
Short-term loans from related parties	100	-	-	-	100	4.90
Liabilities under finance lease agreements	3	4	-	-	7	5.00 - 7.14
	103	4	18	108	233	

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2015

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Floating interest rate	Non- interest bearing		
Financial assets						
Cash and cash equivalents	21	-	63	29	113	0.40 - 0.85
Current investments	35	-	-	-	35	1.50 - 1.75
Trade and other receivables	-	-	-	156	156	-
Short-term loans to related parties and others	3	-	-	-	3	7.50 - 8.63
Restricted bank deposits	-	-	7	-	7	0.40 - 1.50
	59	-	70	185	314	
Financial liabilities						
Bank overdrafts	-	-	7	-	7	MOR, MLR
Trade and other payables	-	-	-	146	146	-
Short-term loans from related parties	100	-	-	-	100	4.90
Liabilities under finance lease agreements	-	4	-	-	4	5.59 - 10.48
Long-term loans under debt restructuring agreement	13	69	-	-	82	18.00
	113	73	7	146	339	



(Unit: Million Baht)

Separate financial statements

As at 31 December 2016

	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	2	1	3	0.37 - 0.50
Trade and other receivables	-	-	9	9	-
Restricted bank deposits	-	1	-	1	0.40
	-	3	10	13	
Financial liabilities					
Bank overdrafts	-	14	-	14	MLR
Trade and other payables	-	-	17	17	-
Short-term loan from related parties	161	-	-	161	2.50 - 4.90
	161	14	17	192	

(Unit: Million Baht)

Separate financial statements

As at 31 December 2015

	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	23	-	23	0.40 - 0.85
Trade and other receivables	-	-	7	7	-
Restricted bank deposits	-	1	-	1	0.40
	-	24	7	31	
Financial liabilities					
Bank overdrafts	-	3	-	3	MLR
Trade and other payables	-	-	36	36	-
Short-term loan from related parties	100	-	-	100	4.90
Liabilities under debt settlement agreement	-	-	82	82	-
	100	3	118	221	



Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions. 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	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	0.4	0.5	0.1	0.2	35.8307	36.0886

35.2 Fair values of financial instruments

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

36. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.57:1 (2015: 1.74:1) and the Company's was 0.51:1 (2015: 0.80:1).

37. Event after the reporting period

On 28 February 2017, the Company's Board of Directors Meeting passed the resolution to approve to pay a dividend of Baht 0.0222 per share, or a total of Baht 12 million, to the Company's shareholders in respect of the profit for the year 2016.

The above resolution will be proposed to the Annual General Meeting of shareholders for approval.

38. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2017.

