



(TRANSLATION)

AF. 006 / 2018

February 28, 2018

Subject Explanation of the operating performance for the year 2017

To Managing Director

The Stock Exchange of Thailand

Pan Asia Footwear Public Company Limited would like to submit the report of Management Discussion and Analysis for the year ended 31 December 2017 which has been audited by the auditor this is caused by followings:

The Operating results of the company and its subsidiaries Explanation of the operating performance for the year 2017 as in the consolidate financial statement has net loss 38.31 Million Baht, decrease of 291.72 Million Baht or 115.12% comparing to the last year. Loss to equity holders of the parent is 43.88 million baht decrease of 286.24 Million Baht or 118.10% comparing to the same period last year, this is caused by followings:

Consolidated financial statements

Revenues

1. Total sales and Total Revenues from hire of work of 791.62 Million Baht was 34.59 Million Baht or 4.57% increase from the last year. This was the result of the orders of more customers.

2. Total Interest Income 0.50 Million Baht was 0.01 Million Baht or 30.36% lower from the last year. The savings of subsidiaries decreased for working capital.

3. Dividend income 0.02 Million Baht was 0.33 Million Baht or 93.86% decrease from the same period last year. This was the result of received from associated companies is Thai Takaya Co.,Ltd. 0.30 Million Baht.

4. Gain on sales of assets 1.74 Million Baht was 22.79 Million Baht or 92.92% lower from the last year. In 2016, The Company's profit from the sale of machinery and equipment manufacturing is not in use to outsider 10.88 Million Baht and Gain on sales of Land to Sahachol Foods Supplies Co., Ltd. 12.88 Million Baht.



5. Gain on sales of investments was 6.42 Million Baht or 100.00% lower from the last year. In 2016, Gain on sales of investments of Lao 6.18 Million Baht and Gain on sales of investments of 1 associated company 0.23 Million Baht.

6. Gain on debt restructuring was 90.10 Million Baht or 100.00% lower from the last year. International Curiry Footwear Company Limited has payment of long-term loans, with a financial institution debt restructuring contract. 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.

7. Other income decreased 17.20 million baht from the same period last year to 11.35 Million Baht or 39.75% due to In 2016, the subsidiary Aphakorn Industries Company Limited change status from an associate to a subsidiary which receive repayment from PA Capital Company Limited is making a profit from fair value adjustment of 6.14 million baht. Other income from the legal judgment of the subsidiaries 1.90 Million Baht and The income from the charge amortize from customers 2.17 Million Baht.

Expenses

1. Cost of sales and hire of work totaling 698.27 Million Baht increased from the last year by 54.08 Million Baht or 8.39%. Selling expenses totaling 15.09 Million Baht increased from the last year 2.89 Million Baht or 23.65% because the cost of exports higher and the cost of sale promotion increases. Administrative expenses totaling 97.89 Million Baht decreased from the last year by 22.55 Million Baht or 18.72% due to In 2016, With the cost of import duties 6.27 Million Baht. The rent was reduced from the classification 6.17 Million Baht and Other administrative expenses decreased.

2. Reversal Allowance for doubtful accounts by 0.29 Million Baht decreased from the last year 130.51 Million Baht. In 2016, get hold of the debtor to repay its debt for a long time amount 288.81 Million Baht and Loss from reducing the principal debt and interest to the debtor 149.55 Million Baht and Allowance for doubtful accounts interest loans increase 8.47 Million Baht.

3. Reversal of provision for litigation decreased from the last year by 10.87 Million Baht. In 2016, Reversal of the judgment lawsuit Rattana Nakorn Engineering Co.,Ltd 12 Million and 2 subsidiaries provision increase by 1.13 Million Baht.

4. Finance cost 11.18 Million Baht decrease from the last year 8.89 Million Baht or 44.29% due to Repayment of loans to financial institutions.

5. Impairment loss on investments 2.12 Million Baht increase from the last year by 1.82 million baht due to Allowance for impairment of investments in related parties are Nutrition House Co., Ltd. 0.68



Million Baht , Thai Takaya Co., Ltd. 0.23 Million Baht and Sahachol Foods Supplies Co., Ltd. 1.21 Million Baht.

6. Impairment loss on fixed assets 11.62 Million Baht due to Impairment of machinery and equipment of subsidiaries, including 2 of WBLP Company Limited 6.43 Million Baht and Exact Q Company Limited 5.19 Million Baht.

7. Loss arising from change in fair value of biological assets 9.70 Million Baht. The main cause is the value of economic trees that was recorded in the consolidated financial statements as at 31 December 2016 represented the value mutually agreed between a subsidiary and an associate, in accordance with the debt restructuring and transfer agreement. Such value was appraised by an independent appraiser. However, in the current year, the Company arranged for a new economic valuation by engaging another independent appraiser, and found that the fair value had decreased. The Company therefore recorded loss resulting from change in fair value of economic trees in the consolidated statement of comprehensive income of this year.

8. Finance cost 7.28 Million Baht decrease from the last year 3.90 Million Baht or 34.92% due to In 2016, Repayment of loans to financial institutions.

Separate financial statements

Revenues

1. Total sales of 10.03 Million Baht due to the sale of organic farming. was 6.51 Million Baht or 39.35% decrease from the last year. In 2016, sales of finished goods Dead Stock.

2. Dividend income 10.88 Million Baht This was the result of received from its subsidiaries and related parties.

3. Gain on sales of assets 0.25 Million Baht was 15.46 Million Baht or 98.43% lower from the last year. In 2016, the sale of machinery and equipment manufacturing is not in use to outsider.

4. Other income decreased 9.96 million baht from the same period last year to 6.33 Million Baht or 38.84% due to In 2016, The company's investment in a subsidiary, which is under liquidation Bunbury 6.20 Million Baht include Pan Tech R&D Company Limited.

Expenses

1. Cost of sales and hire of work totaling 10.09 Million Baht decreased from the last year by 3.33 Million Baht or 24.79%. Selling expenses totaling 3.13 Million Baht increased from the last year 0.99 Million Baht or 46.40% because the cost of sale promotion increases from distribution of organic



agricultural products. Administrative expenses totaling 21.26 Million Baht decreased from the last year by 8.42 Million Baht or 28.37%.

2. Reversal Allowance for doubtful accounts by 19.60 Million Baht decreased from the last year 9.15 Million Baht or 31.82%. This was the result ,In 2016 A subsidiary debts to financial institutions.

3. Reversal of provision for litigation decreased from the last year by 12 Million Baht. In 2016, Reversal of the judgment lawsuit Rattana Nakorn Engineering Co.,Ltd. 12 Million baht.

4. Reversal of provision from guarantee for subsidiary decreased from the last year by 31.69 Million Baht or 100.00%. This was the result a subsidiary debts to financial institutions.

5. Impairment loss on investments 56.73 Million Baht due to 2 subsidiaries and 3 related parties has performance loss. Details are as follows: WBLP Company Limited 43.37 Million Baht, Exact Q Company Limited 16 Million Baht, Nutrition House Co., Ltd. 0.68 Million Baht , Thai Takaya Co., Ltd. 0.54 Million Baht and Sahachol Foods Supplies Co., Ltd. 0.72 Million Baht. Reversal of Impairment loss on investments of Pontex (Thailand) Company Limited by 4.57 Million Baht due to the company has operating profit.

6. Loss arising from change in fair value of biological assets 1.03 Million Baht. Due to the difference between the fair value and cost of organic agricultural products.

The consolidated financial statements of the group of businesses pose net loss of 38.31 million baht Equity holders of the parent is 43.88 million baht. The net loss per share is calculated at 0.08 baht per share. The financial statement of the exclusive business shows the net loss of 49.63 million baht. The net loss per share is calculated at 0.09 baht per share.

Please be informed accordingly.

Yours faithfully,

(Mr. Sommat Khunset)

Managing Director