

รายงานประจำปี 2554

ANNUAL REPORT 2011



HFT บริษัท ฮั่วฟง Rubber (ไทยแลนด์) จำกัด (มหาชน)
HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED

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General Information

Hwa Fong Rubber (Thailand) Public Company Limited ("HFT") was established in 1987 with current registered and paid up share capital of Bt 658,434,300 and Bt 658,434,300 respectively. HFT's principal business is to manufacture and distribute the tire and tube of bicycle, motorcycle, small logistic equipment vehicle such as trolley forklift, golf cart and hiking cart under more than 25 years recognizably worldwide brand name dubbed "DURO" and "Q-UICK" together with brand "DUNLOP" possessed with Sumitomo Rubber, Japan with DURO stemmed from the technology and marketing support of Hwa Fong Rubber Industries company limited (hereinafter called "HFR"), majority shareholder who has been listed in the Taiwanese Stock Market for more than 18 years. The HFR's nature of business is to manufacture the tire and tube. In addition, HFT obtained the support from Sumitomo Rubber Industries Company (Sumitomo Rubber), another Japanese big shareholder of HFR under the brand name "DUNLOP". Moreover, HFT was approved with ISO 9001-2008 for its internationally excellent product quality. HFT's sale portion is classified by the local and international sale in the percentage of 42.77% and 57.23% respectively. In the local sale, HFT distributes its products to the leading bicycle's Original Equipment Manufacturer (OEM) such as LA BICYCLE, TURBO BICYCLE and SOMAR under the brand name "DURO" and motorcycle producers i.e. HONDA, YAMAHA, KAWASAKI including genuine parts to be distributed amongst licensed distributors under "DUNLOP". On top of OEM business, HFT has also concentrated in distribution on the Replacement Equipment Market (REP) business via Yoko Alloy Company Limited, Asia Pac Import Export (Thailand) Co., Ltd., Borneo Technical (Thailand) Co., Ltd. Co., Ltd and Q-Tire and Wheel International Company Limited. In the international sales, HFT distribute products via the network of HFT and HFR which are among group companies to market in USA, Europe, Asia and Japan, Africa and Middle East.

For overall performance, HFT reported its revenue from sales up to 2,019 Million Baht in 2010 and 2,218 Million Baht in 2011 increase of 9.85%, mainly attributable to the worldwide economic recovered and became growing. In addition, the company was successful with the policy to expand the international trading such as Asia, Middle East and Africa market and Replacement Equipment Market for local market by selling product to the shop agent of bicycle part and accessory of motorcycle meanwhile the cost of production was increased 10.75 % which relate to company sales volume. Mainly raw material in the market are raising price such as natural rubber and synthetic rubber. In 2011 the company net profit was 125.85 Million Baht or earning per share 0.20 Baht.

Name of the Company	:	Hwa Fong Rubber (Thailand) Public Company Limited.
Symbol	:	HFT
Type of Business	:	Manufacture and Distribution of tire tube of bicycle, Motorcycle and Small industrial vehicle
Registered capital	:	658,434,300 Baht consisting of 658,434,300 paid-up shares at par value of Baht 1
Head Office and Main Factory	:	317 Soi 6C Moo 4 Bangpoo Industrial Estate Tombon Praksa, Amphor Muang, Samutprakarn 10280
Second Factory	:	865/1 Moo 4 Soi 11B Bangpoo Industrial Estate Tombon Praksa, Amphor Muang, Samutprakarn 10280
Subsidiary company	:	HFT Holding Company Limited. 317 Soi 6C Moo 4 Bangpoo Industrial Estate Tombon Praksa, Amphor Muang, Samutprakarn 10280
Company Registration	:	0107545000152
Telephone No.	:	0-2709-6580
Facsimile No.	:	0-2709-6589, 0-2324-0483
E-MAIL	:	hwafong@duro.co.th
Website	:	www.duro.co.th
Auditors	:	Mr. Jetesada Hungsapreuk Certified Public Account Registration No.3759 Ms. Wimolsri Jongudomsombut Certified Public Account Registration No.3899 Ms. Kannika Wipanurat Certified Public Account Registration No.7305 Karin Audit Company Limited 138 Boonmitr Tower, 6 th floor, Room B1 Silom Road, Suriwong, Bangrak, Bangkok 10500

Message from Board of Directors

In 2011, since Thailand has been affected both in the 1st and 2nd half of the year from Tsunami disaster in Japan and also the big trouble flooding crisis in Thailand itself, this caused the effects to some of the international sales, logistics, also some customer had asked for delaying the delivery. After those mentioned disaster, we have been resumed to increase the productivity again after flooding had been recovered which caused the demand of natural rubber had been increased continuously on price. Since the natural rubber is our major raw material for tire and tube manufacturing of our company, certainly the mentioned problem must be the impact to our production cost extremely. Our company has realized for being aware on all kinds of changing, they we can reduce the impact which may be occurred in production and distribution.

Under the pressure from the natural disaster and also the major raw material cost had been increased in 2011, with our all efforts with cooperation by our all employees under the efficient management, it caused our company had achieved the sales turnover at 2,218 MB in 2011 compared with 2010, increased 9.8%. The net profit after tax deduction is amounting 125.8 MB. Compared with 2010, the growth is at 5.5%, the overall performance has been improved if compare with 2010. In 2012, it is still the challenging year for business operation for motorcycle tire, bicycle tire production. According to the government policy for effective of minimum salary adjustment from April 2012 onwards, caused our company has the extreme pressure on the production cost. Moreover the tendency of uncertain economic situation in Europe, all mentioned surely be the study for challenging us again.

In the future, our company has the policy for continuous investment in order to develop, improve our competency and production process efficiency in order to be well prepare for market expansion, also maintaining the long term relationship with our existing customers. At the same time, our company is not ignore for the project of research and development to lead our company has got the stable growth. Although our company has been successful for creating the compound formula which can be friendly with the environment in 2010, and distribute the product to European countries and USA, we still keep the continuous development in order to be achieved for obtaining the customer's needs and creating the good image for our organization in the future. Also we will arrange the development on the working environment, including any kind of mission which can lead our company to be stable with further growth.

Finally the company would like to express our sincere gratitude for every shareholder, customer, sale executive and agency, full efforts from every employee and related government department for the continued support our business operation and passed the crisis smoothly. We hope your continued support and guidance for ultimately growth platform of the company in the future.

A handwritten signature in black ink, appearing to read 'Tiffany Su'.

Mrs. Su, Ming-Fen

Chairman

Report from Audit Committee

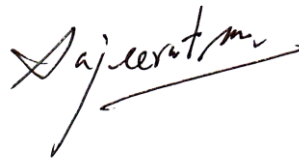
In the year 2011, the Board of audit committee set up 5 times of its respective meetings having the participation of Internal Audit Department, Management section and External Auditor to consider the topics as follows:

- A) Considered the quarterly and annually financial statement for bringing up to the Board of Directors for consideration and approval.
- B) Verified the internal control system, working procedure of internal audit and the risk assessment with the internal audit section and the External Auditor together with giving advice and operational procedure pertinent to Financial, working procedure and operating management so that its internal control system should be adequate and appropriate and the auditor has informed the company has no any weak point in the key point of internal control, except the price transferring and the goods quality depreciation which have been expected that the company will improve.
- C) Verified that the Company operated its business in compliance with the relevant rules and regulations with good corporate governance of the listed company in accordance with SET's regulations.
- D) Verified the related party transactions or the conflicted transactions to be duly disclosed in appropriate manner that the committee has proposed the company to decrease selling the loss product.
- E) To consider and appoint the External Auditor and the appropriate remuneration which will be proposed in the annual general shareholders' meeting. In the year 2012, the Audit Committee proposed Mr.Santi Phongjareonpit , Certified Public Accountant registered no.4623, Ms.Sureeratana Thong-arunsaeng, Certified Public Account registered no. 4406 and Mr. Aekasit Shuthammasathit, Certified Public Accountant registered no. 4195 from KPMG Phumichai Audit Company Limited to be the accounting auditor of the company for the 2012 to be resolved by the annual general meeting.

The Audit Committee is of opinion that the company has an adequate internal control system to facilitate the preparation of financial statement. Thus, the financial report represented a true and fair view and in line with the generally accepted standard practice of accounts in Thailand. Disclosure of information is correctly shown in full and adequacy.

However, there are still the necessary points for the company to additionally improve for running its operation in the future can be outlined as follows:

- A) To develop the human resource for auditing and internal control in order to be ready for supporting any kind of risks of the company.
- B) To set up the committee for the risk management.
- C) To set up the transfer pricing policy to be in accordance with its relevant regulations
- D) To operate the inventory control efficiently.
- E) To set the internal audit department structure to be under control of the Audit Committee.

A handwritten signature in black ink, appearing to read 'Sareerat m.', with a long horizontal stroke extending to the right.

Mrs. Sareerat Metheesuwapab
Chairman of Audit Committee

Financial Summary

Unit: THB Million (Unless otherwise stated)

For the Fiscal year ended December 31	Consolidated			Separate		
	2011	2010	2009	2011	2010	2009
Stock Data						
Par value (Baht)	1.00	1.00	-	1.00	1.00	1.00
Book value (Baht)	2.18	2.04	-	2.18	2.04	2.03
Earning per share (Baht) *	0.20	0.19	-	0.20	0.19	0.18
Operating (Million Baht)						
Sales revenue	2,218.28	2,019.33	-	2,218.28	2,019.33	1,768.61
Total income	2,240.00	2,042.66	-	2,239.12	2,042.51	1,777.25
Net profit	125.85	119.17	-	125.24	119.40	115.41
Balance Sheet (Million Baht)						
Current assets	1,058.84	971.44	-	1,008.38	921.62	959.24
Total assets	1,755.24	1,738.69	-	1,754.78	1,738.87	1,796.07
Current liabilities	398.08	365.54	-	398.01	365.50	289.33
Total liabilities	407.40	435.54	-	407.33	435.50	459.33
Paid-up capital						
Shareholders' equity	1,347.83	1,303.15	-	1,347.45	1,303.38	1,336.74
Financial Ratio						
Returns on shareholders' equity (%)	9.49%	9.03%	-	9.45%	9.04%	8.58%
Returns on fixed assets (%)	31.43%	29.04%	-	31.35%	29.07%	26.79%
Returns on assets (%)	7.20%	6.74%	-	7.17%	6.76%	6.27%
Gross profit (%)	14.31%	15.01%	-	14.31%	15.01%	20.02%
Current assets ratio to items of current (times)	2.66	2.66	-	2.53	2.52	3.32
Quick ratio (times)	1.30	1.35	-	1.18	1.21	2.01
Debt ratio to shareholders' equity (times)	0.30	0.33	-	0.30	0.33	0.34

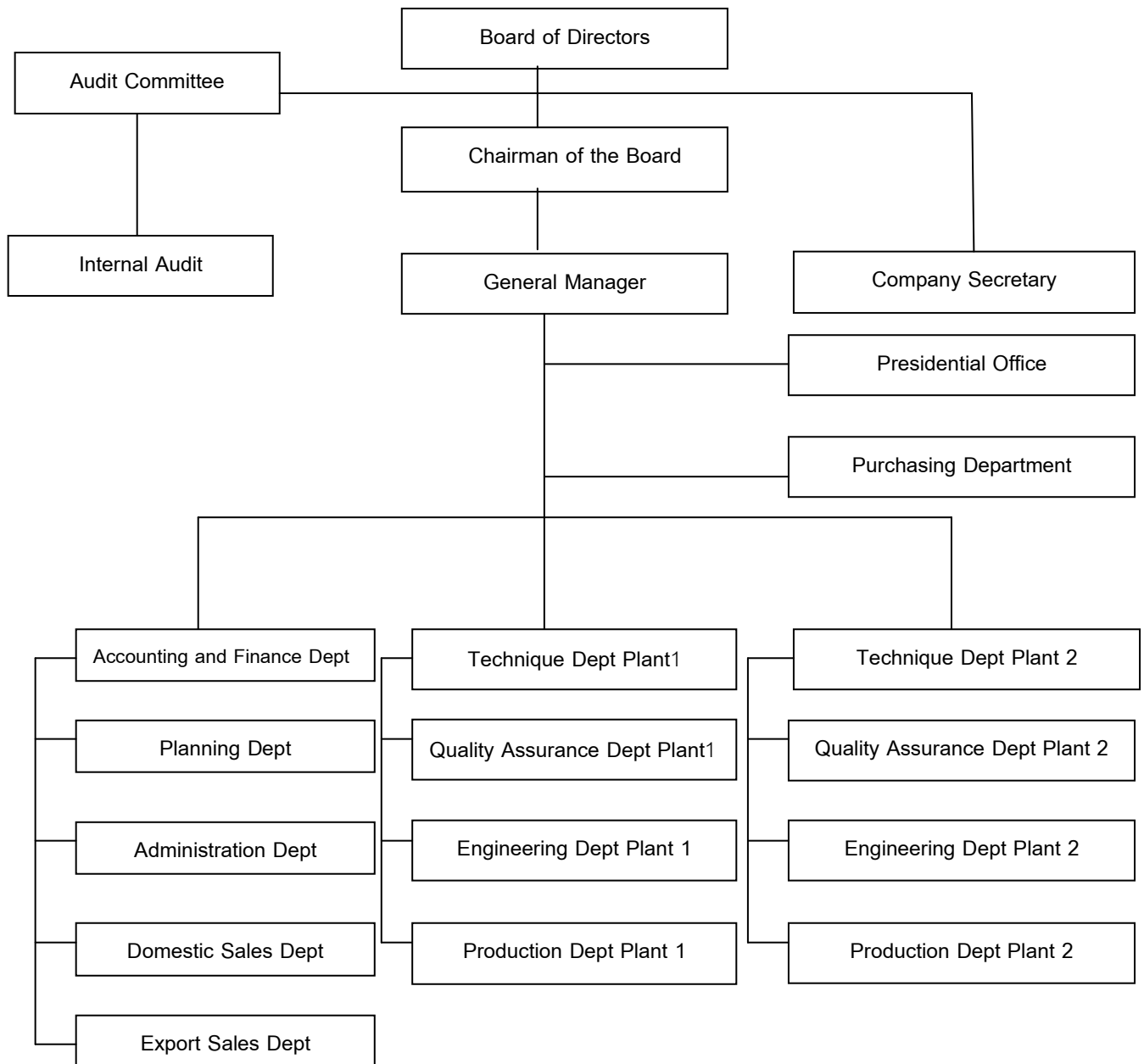
Note :

* In year 2011 the use of the weighting average ordinary share numbers of 617,504,500 shares

In year 2010 the use of the weighting average ordinary share numbers of 639,992,097 shares

In year 2009 the use of the weighting average ordinary share numbers of 658,434,300 shares

Organization Structure



Board of Directors and Management Team

Board of Directors

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Position	Name of Organization/ Company/Type of Business
1. Ms. Su, Ming - Fen Chairman and Managing Director	49	Bachelor Degree (Accounting and Statistic) National Taipei College of Business - Taiwan	-	1998-present 2003-present 2010-present 2011-present	General Manager Chief Executive Officer General Manager Chairman and Managing Director Managing Director	Fei Horng Technology Co., Ltd. IS'MI Co., Ltd. Yi-Fu International Marketing and Trading Co., Ltd. Hwa Fong Rubber (Thailand) Plc. HFT Holding Co., Ltd.
2. Mr. Chen Heng-Yi Chairman and Managing Director	50	Doctoral Degree (Philosophy in marketing) Glasgow University UK	-	1996-2009 2009-2011 2010-2011 2011-present 2011-present	Managing Director Chairman and Managing Director Managing Director Financial Manager Director	REIT Company Hwa Fong Rubber (Thailand) Plc. HFT Holding Co., Ltd. Hwa Fong Rubber (Thailand) Plc. HFT Holding Co., Ltd.
3. Mr. Chen Tai Director	61	Bachelor Degree (Engineering) Institute of Technology - Taiwan	-	2005-present 2009-present 2010-present	General Manager Director Director	Hwa Fong Rubber (Thailand) Plc. Hwa Fong Rubber (Thailand) Plc. HFT Holding Co.,Ltd.

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Position	Name of Organization/ Company/Type of Business
4. Ms. Liang, Su - Jung Director	41	Bachelor Degree (International Business) Southern Taiwan University	-	2004-present 2011-present	Managing Director Director	IS'MI Co., Ltd. Hwa Fong Rubber (Thailand) Plc.
5. Ms. Sajeerat Metheesuwapab Chairman of Audit Committee	64	Bachelor Degree (Accounting) Chulalongkorn University, Obtained DAP Course no.42/2005 Obtained ACP Course no.24/2008 Obtained DCP Course no.105/2008	-	Present 2008-present	Managing Director Chairman of Audit Committee	S.J & M International Office Co.,Ltd. Hwa Fong Rubber (Thailand) Plc.
6. Mr.Anupong Techaamnuyaporn Audit Committee	48	Master Degree in Business Administration, Thammasat University Obtained DAP Course no.23/2004	-	2002-present 2010-present 2009-present	Managing Director Audit Committee Audit Committee	Amnuay Porn Accounting Co.,Ltd Thanasiri Group Plc. Hwa Fong Rubber (Thailand) Plc.,
7. Ms.Supaporn Kohuad Audit Committee	35	Bachelor Degree (Chinese) National Jiao-Tong University	-	2003-present 2008-present 2011-present	General Manager Export & PR Senior Manager Audit Committee	RTC Holding Co. Ltd. 3D Group Ltd. Hwa Fong Rubber (Thailand) Plc.

Audit Committee

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Position	Name of Organization/ Company/Type of Business
1. Ms. Sajeerat Metheesuwapab Chairman of Audit Committee	64	Bachelor Degree (Accounting) Chulalongkorn University, Obtained DAP Course no.42/2005 Obtained ACP Course no.24/2008 Obtained DCP Course no.105/2008	-	Present 2008-present	Managing Director Chairman of Audit Committee	S.J & M International Office Co.,Ltd. Hwa Fong Rubber (Thailand) Plc.
2. Mr.Anupong Techaamnuyaporn Audit Committee	48	Master Degree in Business Administration Thammasat University Obtained DAP Course no.23/2004	-	2002-present 2010-present 2009-present	Managing Director Audit Committee Audit Committee	Amnuay Porn Accounting Co.,Ltd. Thanasiri group Plc. Hwa Fong Rubber (Thailand) Plc.
3. Ms.Supaporn Kohuad Audit Committee	35	Bachelor Degree (Chinese) National Jiao-Tong University	-	2003-present 2008-present 2011-present	General Manager Export & PR Senior Manager Audit Committee	RTC Holding Co. Ltd. 3D Group Ltd. Hwa Fong Rubber (Thailand) Plc.

Management Team

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Position	Name of Organization/ Company/Type of Business
1. Ms. Su, Ming - Fen Chairman and Managing Director	49	Bachelor Degree (Accounting and Statistic) National Taipei College of Business - Taiwan	-	1998-present	General Manager	Fei Horng Technology Co., Ltd.
				2003-present	Chief Executive Officer	IS'MI Co., Ltd.
				2010-present	General Manager	Yi-Fu International Marketing and Trading Co., Ltd.
				2011-present	Chairman and Managing Director Managing Director	Hwa Fong Rubber (Thailand) Plc. HFT Holding Co., Ltd.
2. Mr. Chen Tai General Manager	61	Bachelor Degree (Engineering) Institute of Technology - Taiwan	-	2000-2004	General Manager	Hwa Fong Rubber (SuZhou) Co.,Ltd.
				2005-present	General Manager	Hwa Fong Rubber (Thailand) Plc.
				2010-present	Director	HFT Holding Co.,Ltd.
3. Mr. Chiang Jung -Tsong Vice general Manager	50	Vocational Certificate South Asia Engineering college. Taiwan	-	2005- 2009	Factory Manager	Hwa Fong Rubber (Thailand) Plc.
				2009- Present	Vice General Manager	Hwa Fong Rubber (Thailand) Plc.

Management Team (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Position	Name of Organization/ Company/Type of Business
4. Ms. Oranuch Suratroongrojkul Presidential Office Manager	53	Bachelor Degree (political science) Ramkhamhaeng University	500	2003 - 2009 2010 – 2011 2011 - present	Audit Manager Presidential Office Audit Manager	Hwa Fong Rubber (Thailand) plc. Hwa Fong Rubber (Thailand) Plc. Hwa Fong Rubber (Thailand) plc.
5. Mr. Hsu An Jen Sales Manager	52	Bachelor Degree (Business Administration) Tung Hai University Taiwan	-	1997-2002 2002-present	Quality Control Manager Sales Manager	Hwa Fong Rubber (Thailand) Co., Ltd. Hwa Fong Rubber (Thailand) Plc.
6. Ms.Radatorn Tanaasawapol Financial and Accounting Manager	47	Bachelor Degree (Marketing) Ramkhamhaeng University	500	2005- present	Financial and Accounting Manager	Hwa Fong Rubber (Thailand) Plc.

Business Overview

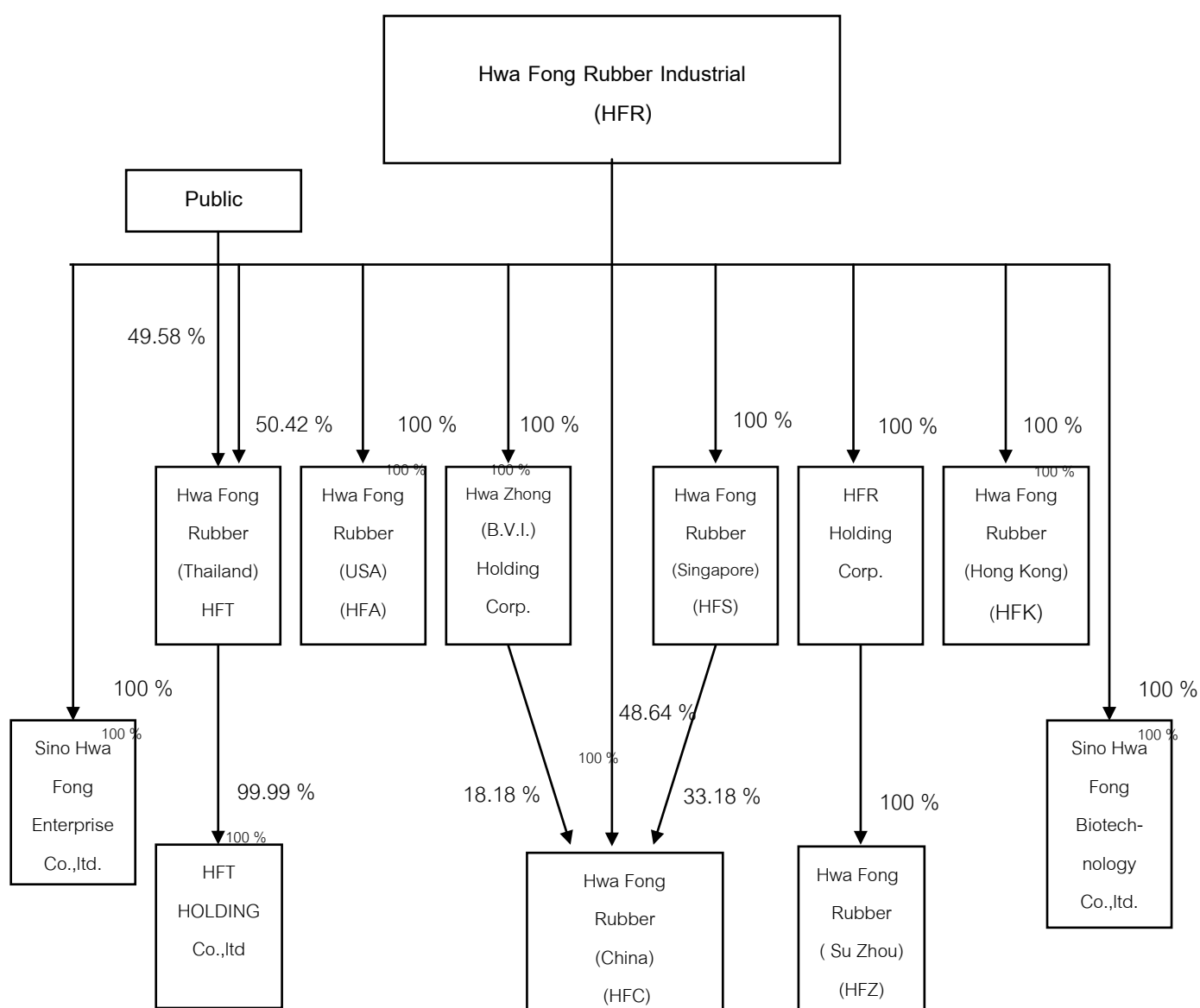
Company Background

- 1989 HFT was established on June 2, 1987 with initial registered and paid-up capital to Bt 300 million. HFT is a wholly owned subsidiary of Hwa Fong Rubber Industries Co., Ltd. (Hereinafter called "HFR "), with 99.99% holding stake. Initially, the nature of business was to manufacture bicycle tire and tube under the brand name "Duro" and motorcycle tire and tube under the "DUNLOP"
- 1996 Obtained ISO 9002:1994
- 1998 Expanded the production line to the production of tire and tube of motorcycle
- 1999 First Launched motorcycle tire and tube for HONDA Motorcycle in form of OEM
- 2002 Obtained ISO 9001:2000
- 2002 Became Public Company on July 29, 2002
- 2003 Increased Registered Capital to 387,100,000 Baht and SET has granted a listing of Common shares of HFT
- 2004 Constructed the second factory in Bangpoo Industrial Estate Samutprakarn
- 2004 Obtained Thai Industrial Standards Institute (TISI) for Motorcycle tire for 4 sizes and Motorcycle tube for 3 sizes
- 2005 Commenced to run the second factory's operation in 2nd quarter for manufacturing the all terrain Vehicle tire
- 2006 Increased its registered capital up to 774,200,000 Baht with paid-up capital of 658,434,300 Baht
- 2006 Obtained SNI (Standard National of Indonesia)
- 2007 Registered Trademark "Q-UICK"
- 2008 Obtained Thai Industrial Standards Institute (TISI) for Motorcycle tube for 12 sizes
- 2008 Decreased Registered Capital from 774,200,000 Baht to 658,434,300 Baht with paid-up capital of 658,434,300 Baht
- 2009 Registered to change its par value from 10 baht to 1 Baht with registered capital amounting to 658,434,300 shares and paid-up capital at 658,434,300 Baht
- 2010 Obtained ISO 9001:2008
- 2010 HFT Holding was established registered capital up to 50,000,000 Baht with paid-up capital of 50,000,000 Baht
- 2010 HFT has a project to be offered for sales to the public in Taiwan as Taiwan Depositary Receipts (TDR) amount 210,000,000 shares that hold by Hwa Fong Rubber Industries (HFR)
- 2010 The company started Treasury Stock project with re-purchasing share amount 40,929,800 shares
- 2011 The company made changes in the production of All Terrain Vehicle (ATV) from the trademark "DUNLOP" to be "DURO" which is the company own trademark.

HFT has been established and expertise in the tire and tube business for the period of 25 years with the technology support from HFR, parent company incorporated in Taiwan founded more than 66 years. HFT's product has been well recognized in the international standard i.e. "DOT" (Department of Transportation) in 1974 CNS (Chinese National Standard) in 1978, JIS (Japan Industry Standard) in 1989, QS-9000 in 1998, European Union Standard (E-Mark) in the year 1992, ISO 14001 in 1994 and China Compulsory Certification (CCC-Mark) in 2006.

Group Structure

Currently, HFT's Major shareholder is HFR, the parent company located in Taiwan, in which the group structure is set out below:



Hwa Fong Rubber Industries – HFR: The Parent Company for the affiliates consisting of HFT, HFA, HFC, HFS, HFK and its subsidiaries. HFR is located in Taiwan. Having had the subsidiaries all around the world, HFR is the one who determines the production and marketing policy including the research and technological support for all affiliated companies, alliance with Sumitomo Rubber, their business partner (hold 13.15 % stake of HFR). HFR is a manufacturer and distributor of tire for bicycle and motorcycle under "DURO" mainly in Taiwanese market and European market as well as the industrial vehicle for worldwide market. The quality of product is regarded as medium to high-end compared to others.

Hwa Fong Rubber (Thailand) Plc. – HFT: Being Manufacturing and distributor center, HFT in addition manage and direct the marketing strategy in Thailand, South East Asia and international market especially Europe and North America. Having obtained full support from HFR, parent company and major shareholder, HFT manufactured the tire and tube for bicycle and motorcycle and small logistics equipment vehicles focusing on the medium to high quality compared to any other company in Hwa Fong universe. In addition, HFT produces the low-speed vehicle, which is the different product from the parent company's market in Taiwan manufactures, thus distinguishing HFT from other companies amongst group.

Hwa Fong Rubber (USA) - HFA: Trading center in North American Market and after sales service. HFA's main Business is to receive the products from variety affiliates and distribute in the United States of America.

Hwa Fong Rubber (China) - HFC: Manufacturer and distributor, its main market is penetrated in China, America, Africa and Middle-East. The quality of product is regarded as medium to low-end among the group.

Hwa Fong Rubber (Hong Kong) - HFK: Trading company set-up due to the Taiwanese law stipulated restriction of direct Taiwanese company investment in China taken effective since 1994. Therefore this entity has been established as BVI company to be conduit investment co. in China. There's no production activity.

Hwa Fong Rubber (Singapore) - HFS: Holding company, who's wholly, owns HFC on behalf of HFR to make trading with HFC. Due to the Taiwanese law stipulated restriction of direct Taiwanese company investment in China. This company has been emerged after the handover of Hong Kong to China in the year 1997.

HFR Holding Corp. Holding company owns the shares HF-Suzhou on behalf of HFR, parent company without any production and trading activities. HFR Holding has been founded by HFR for the investment in 2003.

Hwa Fong Rubber (SuZhou) Company Limited - HFZ is a manufacturer and distributor of radial tire for worldwide market.

Hwa Zhong (B.V.I.) Holding Group - Trading company set-up due to the Taiwanese law stipulated restriction of direct Taiwanese company investment in China taken effective since 1994. Therefore this entity has been established as BVI company to be conduit investment co. in China. There are no production activities.

Sino Hwa Fong Enterprise co.,ltd. Business operation of clothing, electric appliance, vehicle tire, Electronic appliance, wholesaler and retailer, Trading Company, Rental of Asset and International business.

Sino Hwa Fong Biotechnology Co., ltd. Business operation of alcohol, cigarette, Foods, Fertilization, Material for construction, cosmetic, electric and Electronic appliance and maintenance, wholesaler and retailer, wholesaler of beverage and Medicine without shop, International business, Investment consult, Interior design, Biotechnology service, marketing research.

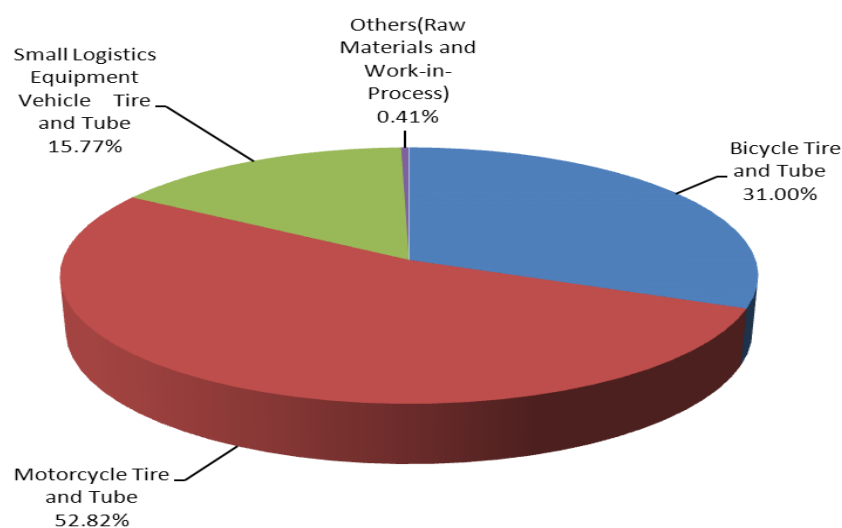
HFT Holding Co., ltd. on behalf of Hwa Fong Rubber (Thailand) Plc., This company was established for trading finish goods and raw material ,Bond Investment, immovable property investment for selling ,leasing and for rental , wholesaler and retailer tire, tube and vehicle equipment , International Investment and support business of HFT.

Revenue Structure

Value of Products categorized by the Product line in the year of 2009 - 2011 (THB Million)

Product	2011		2010		2009	
	(MB)	%	(MB)	%	(MB)	%
<u>Domestic Sale</u>						
1. Bicycle Tire and Tube	145.83	6.58	122.22	6.05	118.59	6.71
2. Motorcycle Tire and Tube	679.29	30.62	647.00	32.04	544.20	30.77
3. Small Logistics Equipment Vehicle Tire and Tube	121.40	5.47	71.18	3.53	5.21	0.30
4.Others (Raw Materials and Work-in-Process)	2.15	0.10	3.69	0.18	2.73	0.15
Subtotal Domestic Sale	948.67	42.77	844.09	41.80	670.73	37.92
<u>International Sale</u>						
1. Bicycle Tire and Tube	541.90	24.43	432.32	231.41	345.89	19.56
2. Motorcycle Tire and Tube	492.41	22.19	451.36	22.35	501.93	28.38
3. Small Logistics Equipment Vehicle Tire and Tube	228.48	10.30	289.05	14.32	246.46	13.94
4.Others (Raw Materials and Work-in-Process)	6.82	0.31	2.51	0.12	3.60	0.20
Subtotal International Sale	1,269.61	57.23	1,175.24	58.20	1,097.88	62.08
Total Revenue from Sale	2,218.28	100.00	2,019.33	100.00	1,768.61	100.00

Sale Proportion for the year 2011.



Based on the figures above, especially in 2011 we can observe that the major income structure I from the international sales accounted for 57.23% and domestic sales for 42.77%. Nonetheless, compared to the revenue in 2010, the total revenues from sales significantly rising to 9.85% due mainly to the global economic recovered. For domestic sales in 2011, the main revenue stemmed from the motorcycle tire and tube as same as the international sales which was in consistence with the policy to expand the international trading in Asean country and Middle East. In addition, HFT intends to expand the domestic sales portion with the retaining the core international sale portion to increase its market share in Asean market and to exploit the full utilization rate with full efficiency.

Business Goal

1. To enlarge the market share from both domestic and international market particularly from ASEAN Country, where the company is eligible to obtain the privilege of import tariff e.g. FTA and BIMSTEC Trading, thus expectedly gaining larger market share.
2. To continuously improve product quality for long-term competition and to employ as its selling point to compete with other competitors in terms of pricing strategy in the market
3. To continuously enhance the efficiency of production in order to deliver the product in timely manner and suit with customers' needs.
4. To maintain HFT's reputation in our main market under support from our parent company with the trademark DURO and to be the manufacturer the product under the trademark namely Q-UICK and DUNLOP from Sumitomo Rubber of Japan.
5. To expand the OEM market to be stronger and more stable.
6. To capture higher gross margin of product
7. To develop the new product to serve the market demand and satisfy the customers
8. To emphasize on the public relation to build up the good image of our product in long term
9. To build the strengths to simultaneously respond the clients' requirement in accordance with other relevant rules which are beneficial to the society and organization, for instance, the manufacturing of products which have suitable attributes corresponding to Social Accountability or Corporate Social Responsibility thus making the product to be of acceptably quality in various countries. This offers the advantageous to sell the products in compliance with the governmental standard e.g. ISO Standard (Thailand), SNI (Indonesia), SIRIM (Malaysia) and E-MARK (EU Countries).

BUSINESS DESCRIPTION

Product Description

HFT mainly engages in the business of manufacturing bicycle tire and tube categorized below:

- Bicycles, Mountain Bikes and Wheel Chair Tires and etc.
- Motorcycles, racing motorcycles, scooters and etc.
- Small logistics equipment vehicle i.e., wheel barrows, tow wagons, forklifts, tractors, farm vehicles, golf carts.
- All Terrains Vehicle

Tire Products

Tires are the product range that generates the highest income for the Company both on the domestic and overseas markets, in 2011 the company's revenue from sales of various types of tires accounted for 77.68% approximately of total sales.

Tube Products

Comprise a wide range of product types and range in order to satisfy various different groups of customers. In 2011, the company's revenue from sales of Inner Tubes constituted to approximately 21.92 % of total revenue.

Raw Material & Semi-finished Products

In 2011 HFT generated the revenue from sales of raw materials and semi-finished products constituting to around 0.40 % of total sales.

Contractual Agreements pertaining to the HFT's business

HFT has entered into Technical Cooperation Agreements with the Parent Company and with the other companies, with main purpose of entering into such arrangements being to improve product quality, upgrading of the production process as well as production machinery and equipment. The summary of material contract is set out below;

1) **Trademark License Agreement** is the contract which had been made between HFR, the mother company and the company to be effected since August 27, 2005 for 3 years validity (1 year, with an automatically renewable). The essence of the Contract has been referred to the right to use brand "DURO" for local and international sale with the term and Condition of HFT pays for the fee as much as 0.50 % of total sales under brand name "DURO" to HFR who has permitted the company to have the right for production and distribution of some designs. The company must pay the early birth fee in 2011 amounting 15,000 US Dollar and has been concerned to pay the annual fee amounting 30,000 US Dollar, in total 165,000 US Dollar. This contract will be valid for 5 years with the expiry date on 31 December 2015,

2) **Technical Cooperation Agreement** is the contract made between the mother company HFR and the company for the technical cooperation to be effected since August 27, 2005 for 3 years validity (1 year, with an automatically renewable). The essence of the Contract has been referred to HFT employs the production technology from HFR such As the factory layout, production process, raw material Ingredient, training program, product development including the right for using the trademark for selling as domestic and international sales with the term and Condition of HFT pays for the fixed fee annually amounting 100,000 US Dollar.

3) **Technical Aid Agreement** is the contract made between Sumitomo Rubber Industries Ltd. company and the mother company HFR which has been covered to the subsidiaries for the technical cooperation to be effected since July 01, 2010 for 3 years validity .The expiration will be extended if there is no any party notice of cancellation which is as per the parties' agreement. The essence of the Contract has been referred to HFT employs the production technology from Sumitomo Rubber from Japan such as the production machine and equipment, production process, raw material Ingredient, training program according to the program which have been indicated in the contract which Sumitomo Rubber has authorized the company to use the trademark as currently is "DUNLOP" for production and distribution both in domestic and international sales. The company has to pay the fixed fee for Sumitomo Rubber at 0.40%of total products sale (particular products) per annum and also the Trademark fee equivalent to 1.5%-3% of total revenue from sale from the product under brand name "DUNLOP".

Remark: The product type under this contractual agreement indicates the motorcycle tire and tube whose size of wheel is more than 12" including All Terrain Vehicle tire.

● Marketing and Competitive Environment

Marketing Strategies

Domestic Market

In domestic market, HFT's target customers can be categorized into 2 groups as follows:

1. Original Equipment Manufacturer more commonly referred to as the “OEM” of bicycles and motorcycles who are major manufacturers in the domestic market, whereby HFT sells directly to these major Producers, namely BANGKOK BICYCLE, SIAM CYCLE and KAMAR MOBILITY, for instance, under the brand “DURO”, while the major local motorcycle manufacturers include THAI HONDA, THAI YAMAHA, THAI KAWASAKI and etc., which in perspective, the products sold under the DUNLOP Brand holds a market, share of approximately 6.28% of the domestic market as the company has the relation with SUMITOMO RUBBER GROUP who has the relation with Japanese motorcycle manufacturer. This causes the company can be orders the product which present more confident for domestic market expansion.

In the year 2011, the company been selling ATV tire to KAWASAKI MOTORS ENTERPRISE (THAILAND) CO., LTD. under DURO Brand which we have got the continuous order with the very good trend in the future.

2. Replacement Equipment Market or more commonly referred to as the “REP” in order to replace a new tire by selling via the Sales Agency, including YOKO ALLOY, ASIA PAC IMPORT EXPORT (Thailand), Q TIRE AND WHEEL INTERNATIONAL LIMITED and also BORNEO TECHNICAL (THAILAND) CO.,LTD.

HFT manages its own marketing strategies in domestic market using several important tools, including placing special emphasis on Product Quality, whereby products manufactured by the Company has been granted the ISO 9001:2008 Quality Certification, and the use of the Brand Name and Logo which has been widely accepted, i.e. “DURO”, “Q-UICK” and “DUNLOP”. HFT also directs the price of its own products on the domestic market, and this engagement has not been intruded upon by the Parent Company. Under such normal circumstances, HFT sets the price range of its products by means of its calculation on the Cost of Production, as well as taking the competition and the prevailing conditions of the domestic market as the major factors into consideration.

Overseas Market

Whereas the Company and the Affiliated Company within the Group are manufacturing similar products i.e. Tubes and Tires, in order not to cannibalize the target market and create conflict of interest amongst affiliated to the Parent company's Group, the product type and market sectors of the affiliated companies have therefore been segregated, a strategy which has been approved by the Board of Directors of the Parent Company, to be strictly implemented as follows:

The product type and market sectors of the affiliated companies

		Product Categories/Segmentation			Market		
		HFR	HFT	HFC	HFR	HFT	HFC
Bicycle Tires	Category	High-end	Middle-Low End	Middle-Low End	Taiwan, Europe	Thailand, Asia, Middle East and Europe	China, America
	Type	skin wall tire, Tire without tube	black tire	black tire			
		High Quality	Color Tires	Color Tires			
Motorcycle Tires	Category	High-end	Middle-Low End	Middle-Low End	Taiwan, Middle East, Africa and Europe	Thailand, Asia, Middle East and Europe	China, Africa, Middle East
	Type	For high speeds Exceeding 180 km/h.	for speeds less than 180 km/h.	for speeds less than 180 km/h.			
Industrial Rubber Products	Category	High-end	Middle-Low End	Middle-Low End	Taiwan, Middle East, North America	Thailand, America, Europe and Japan	China, America
	Type	Heavy Truck Fork lift Skid loader	Hand cart, Lawn mower Small trailer	Light Truck, Mobil home, Utility trailers			
	Category	Middle-Low End	Middle-Low End	Middle-Low End			
	Type	For speeds exceeding 100 km/h.	For speeds less than 60 km/h.	For speeds exceeding 60 km/h.			
		All Terrains Vehicle	All Terrains Vehicle	All Terrains Vehicle	Taiwan, Middle East, America	America, Europe and Japan	China, America
	Type	For speeds less than 80 km/h.	For speeds less than 80 km/h.	For speeds less than 60 km/h.			

Remarks - HFR : Hwa Fong Rubber Industries Co., Ltd.

- HFT : Hwa Fong Rubber (Thailand) Plc.

- HFC : Hwa Fong Rubber (China) Co., Ltd.

- **High-end Market** refers to the tire market, including industrial rubber parts and components Which uses high technology for their production, i.e., Skin Wall Tire which has light weight and durable against impact tension, suitable for Racing Bikes and Tire without tube suitable for All Terrains Vehicle of which the 'Price Range' is also used for segregating the various quality levels.

- **Mid-Low end Market** indicates the motorcycle tire market and the motorcycle (including industrial rubber products) for customers in general, i.e., privately owned a motorcycle which does not use excessive speeds, affordable price, and the manufacturer need not take the Weight Factor into consideration like Racing Bikes. However, production is under international quality standard control, as earlier mentioned, offering a wide product range, including different designs for different speed requirements of vehicles, and therefore the Price Range becomes a clear segregator of both the product range and market segment.

Each affiliated company amongst group has established a clear-cut policy in terms of Target Group and Market Segment, in order to prevent the affiliated from vying for the same Target Group of Customers. Nonetheless, though that there are presumably overlaps among the affiliated companies, i.e., between HFT and HFC, which similarly produces motorcycle tires for the Mid-Low end Market, but their Customer Base is totally different, that is, HFT's customer Base is targeted on the domestic market and in Europe, while HFC has its Customer base in China (PRC) and U.S.A., whereas HFR has been expertise in bicycle and motorcycle tires as well as industrial rubber and components production required to have high-end technology in the manufacturing process, thus producing high quality products as well as differentiating the price range. As a result, the HFR's Target Customers become different from both HFT and HFC.

Like any other affiliate, the parent company (HFR) has a policy to determine and set out the target group of Customer for each of the affiliated companies, as well as setting the price range of the products to be marketed in USA.

HFT's Export market can be categorized into 2 groups set out below:

1. Customer Groups provided by the Parent Company

The Parent Company is responsible for procuring the customer lists in accordance with the product range manufactured by the company, in line with what stated earlier in the chart. Whereby, the Company is responsible for delivering the products to the Customer and collecting payment directly from the said Customer, in this case the markets include Europe, North America and Africa etc. Among the company's high-profile customers are Michelin which is a Trading Company located in France to procure from the company i.e. medium-high end Bicycle tires and tube , also motorcycle tube as well. In addition to Michelin, there are a number of customers who has been authorized by market transferring from Sumitomo Rubber Industries Ltd. for All Terrain Vehicle tire (ATV) which have been being sold to the major OEM customers who have been obtained support from its respective parent companies and have been ranked top 10 customers for the Company.

2. International Customers individually acquired by HFT

The Company is allowed to seek for Customers on the international market as long as the export products and the market segment will not duplicate with the products and market segment already held by internal affiliated company i.e., the Indochina countries, Asia, Europe, Middle East, Africa. The company is responsible for setting the product price range for markets which will be reviewed by the Parent Company, but the Parent Company does not charge any fees for the provision of markets/customers, in this case, in order to prevent price competition between companies within the business grouping, and in order that the established product price range will be in line with the prevailing conditions of competition on the international market, and the important factors used for establishing the product price range include the cost of raw material, the type of product and the prevailing price range of similar products manufactured by competitors, the prevailing market price range and market conditions at that point in time etc.

Industry Overview and Competition

- Industry overview

Domestic Market

Demand for Bicycle and motorcycle tire and tube depends upon the production of bicycle and motorcycle as well as overall economy. The main structure of the manufacturing base in Thailand is dominated by the Japanese manufacturing group, over which our parents company wields influence in imposing both the role and direction of the strategy on marketing, product design and competition. The motorcycle manufacturers have nevertheless established R&D department so as to develop and research its respective products to suit the Thai market.

In 2011, the manufacture of motorcycle in the local are increase production volume meanwhile the company must be consider about main factor of overall business condition from outside country also as well as worldwide economic. The company must be strong organize marketing and selling strategy in 2011 by keeping the currently customer with high latency in local and foreign customers. We will stress of the product quality standard and control price of selling for good competition in the market and avoid using pricing for competition that cause negative in long term market. The company expected to increase the sales volume by using as mention market strategy in the future.

In 2011, the Company intends to increase the sale volume to the customer which is the group of Original Equipment by present the product for new model of motorcycle that will be selling in the local market in the future

And the consumer will know our product brand image by continually. In addition the company has cooperated with Sumitomo Rubber Industries to develop the new product into the market also.

Manufacturer

International Market

The domestic and international sale volumes of both motorcycle tires and tubes have continued to increase albeit the adverse impact from global state of economy. This was mainly attributable to the effort to increase our market share from other competitors coupled with the continuous endeavors to tap into the developing countries across Asians region, Middle East and Africa. The Company has conducted research and development and attempted to seek for strategic alliance to encompass the impediments with regards to the legal, political, religion and culture to escalate the distribution channels to at most serve the customers' needs. The bicycle tire in addition has been integral part to drive the surge in sale in European market where is regarded as the members of countries who launch the campaign for energy saving and green environment which is evidenced by the continuous sale growth.

Based on the Company's operation, it is found that the global economy and political uncertainty have shaken the Company's confidence continuously notwithstanding manageably. Mainly factors are natural rubber rising price which cause the production cost of company increasing but other notable factors including oil price, interest rate and foreign exchange rate also potentially influence on the Company's business operation.

- **Competition**

Domestic Competition

1. **Original Equipment Manufacturer (OEM):** According to the motorcycle production figure in 2011 also the year which has the impact of the big flooding disaster in the country during October to December 2011.

From this crisis, if caused the motorcycle manufacturing industries has been affected. The major problem is from the most of motorcycle part manufacturer had got the flooding and could not deliver the part to the motorcycle maker which cause some of maker must stop the production temporarily.

However, according to the overview of the motorcycle market in Thailand of the year past, it has been grown up 9% compared with 2010 and continuously getting more demands even we had just passed the big crisis.

In the year past, the company has developed the product to OEM marker for the Automatic motorcycle and will launched them into the market in this year 2012.

This year, the overall market of all types of motorcycle will be registered totally 2,007,080 units and the automatic type will be occupied the market share at 49% while the family type will be occupied the market at 48%.

2. **Replacement Equipment Market (REP):**

In 2011, the market had got the good trend continuously since the beginning period of the year especially after the big election in July and even there was the big flooding disaster which cause the consumer had got the serious concern about the shortage of goods in the market which caused from the manufacturer had been affected directly and also for the transportation term.

However, the company has been located in the area where had no any impact from this crisis which caused us could continue the production for supporting the consumer after the big flooding had been recovered.

According to above arrangement, it helps the company still can maintain the customer base and has more opportunities to increase the distribution channel while some of manufactures for the same type of product had got the serious impact and cause to notice for the production stopped temporarily.

In the year past, the fluctuation of the raw material price is very severe due to the disaster as above mentioned which caused the company had managed for maintaining the production cost to be stable and not effect to the selling price which is the key factor of the consumer's decision.

According to the confident of product quality under the company trademark, it caused we still are able to maintain the turnover continuously.

In 2011, the company intended to focus on the motorcycle store and accessories which is major store by appointing more dealers. The company expanded brand line for increasing the market share together aims to retain quality and continuously improve its products' attributes with the competitive price. This in turn helps the Company gain brand recognition and more confidence in the future.

International Market Competition

HFT exports its related products to wide array of countries all over Asia, Europe, the United States of America, Africa and Middle East, with several supportive factors including:

- Possession of Brand Name that is recognized worldwide;
- Marketing support by the Parent Company and affiliated companies in the Group, which have long Experiences in operating this business;
- Being the globally recognized products to compete worldwide

Nonetheless, due to highly pricing competition attributable to Chinese manufacturers possessing excessive production capacity with low production cost, it appeared that the selling price from China can be kept in very low, on top of more intense competition from Asian market, thereby causing stiffer for pricing competitive. As such, the newly launched trademark will be designated to best correspond to the infancy factors aforementioned in order to reach the sale target. Besides, the company also determines the leeway to compete adopting the quality and excellent services, amongst other things to be key selling points to retain the existing customers while launching the public relation program to create brand awareness and global recognition and aim to build the strengths to simultaneously respond the clients' requirement in accordance with other relevant rules which are beneficial to the society and organization, for instance, the manufacturing of products which have suitable attributes corresponding to Social Accountability or Corporate Social Responsibility thus making the product to be of acceptably quality in various countries. This offers the advantageous to sell the products in compliance with the governmental standard e.g. ISO Standard (Thailand), SNI (Indonesia), SIRIM (Malaysia) and E-MARK (EU Countries).

Capital Structure and Management

Capital Structure

8.1 Assets of the company

Registered capital of the company on 31st December 2011 the company had a registered capital of Baht 658,434,300 divided into 658,434,300 shares with a par value of Baht 1 and a paid-up capital of Baht 658,434,300 divided into 658,434,300 shares with a par value of Baht 1.

8.2 Shareholders

Names of the largest shareholders of the company on 31st December 2011

Name	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber Industries Company Limited	332,000,000	50.42
2. CITIBANK NOMINEES SINGAPORE PTE LTD - MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. - TDR	210,000,000	31.89
3. RAFFLES NOMINEES (PTE) LIMITED	10,549,100	1.60
4. Mr.Wanchai Lertkumpeesil	5,858,600	0.89
5. Mr. Banyat Wuthisethapaiboon	3,000,000	0.46
6. Mr. Vichou Rukpongpaioj	2,343,000	0.36
7. Mr.Chi-Ling Chen	1,931,900	0.29
8. Thai N VDR Co.,Ltd.	1,623,300	0.25
9. Ms.Amorntat Suvanasingh	1,600,000	0.24
10. Mrs.Piyanuch Korsawatworakul	1,430,000	0.22

Remark; The company repurchased share total 40,929,800 shares equal to 6.22 %

Management Structure

The management structure of the company is composed of the Board of Directors, the audit committee and the management team, details of which are as follows:

1. The Board of Directors as of December 31, 2011

No.	Name-Last Name	Position
1.	Ms.Su, Ming - Fen	Chairman of the Board and Managing Director
2.	Mr.Chen, Heng- Yi*	Director
3.	Mr.Chen Tai	Director
4.	Ms.Liang, Su - Jung	Director
5.	Ms.Sajeerat Metheesuwapab	Chairman of Audit Committee and Independent director
6.	Mr.Anupong Techaamnuayporn	Audit Committee and Independent director
7.	Ms.Supaporn Kohuad	Audit Committee and Independent director

Remark: *

- Mr.Chen Heng-Yi has been changed from the Chairman of the Board and Managing Director to be Director since 19 December 2011, and Ms.Su, Ming-Fen has been replaced.

The scope of work and responsibilities of the Board of Directors

1. Responsible for making important or critical decisions on behalf of the Company, and give work assignments, objectives, guidelines and directional indicators as well as draw up the company's policies, including overall supervision of the business operations, production and performance, customer relations and be directly responsible to the Board of Directors.

2. Authorized and empowered to hire, appoint, discharge, force retirement and expulsion, setting the wage and salary scales, wage and salary adjustments / increases, granting bonuses and other financial rewards and incentives, including the appointment of representative(s) to represent the Employer in the company's Provisional Welfare Fund management committee, which involves all company employees.

3. Authorized to approve and transfer the power of attorney or the granting of authorization to a legal representative for the purpose of hire and procurement of assets and services for the interest and benefits of the company.

4. Empowered to issue orders, regulations, announcements and memorandums in order to ensure that the business operations and work assignments are carried out in strict compliance to instructions for the interest and benefit of the company, and in order to observe the rules and regulations within the organization.

5. Authorized to act in the capacity of the company's representative in dealing with outside persons in businesses and activities which are beneficial to the Company.

6. Grant approval for the appointment of advisors in various fields which are necessary for operating the business or for implementation of the work assignments.
7. Engage in managerial works which are involved with the general operations of the company.
8. Annual self estimation.

2. Audit Committee

The company has established the Audit Committee to supervise and monitor the company's internal operation to be in standardization. The Audit Committee, comprising of 3 directors as of December 31, 2011 are as follows:

No.	Name-Last Name	Position
1	Ms.Sajeerat Metheesuwapab	Independent director / The Chairman of the Audit Committee
2	Mr.Anupong Techaamnuyaporn	Independent director / Audit Committee
3	Ms.Supaporn Kohuad	Independent director / Audit Committee

Remark :

- No.1 and 2 are those who have Financial and accounting background and have the experience to verify the financial statement.

The scope of work and responsibilities of the Audit Committee

- 1) To review the accuracy, completeness, reliability of the company's financial reporting and the sufficiency of such disclosure.
- 2) To review the adequacy and effectiveness of internal control systems and internal audit functions as well as to perform the independent duties of internal audit and to render the opinion to consider appointment or removal of Head of internal audit or other responsible relevant.
- 3) To review compliance with the Securities and Exchange Act, regulations of the SET and any other relevant laws.
- 4) To consider, propose appointment and propose compensation for auditor including to attend the meeting with the auditor without having management team at least once a year.
- 5) To consider compliance with all connected transaction disclosures or conflict of interest disclosures to ensure the appropriateness and best interests of the Company.
- 6) To report the activities of the audit committee in the company's annual report, which must be signed by the chairman of the audit committee and comprises the followings?
 - (a) Opinion on the accurateness and reliabilities of the financial report
 - (b) Opinion on the sufficiency of the internal control system

- (c) Opinion on the compliance with the securities act, SET rules and regulations and other relevant laws
 - (d) Opinion on the suitability of external auditor
 - (e) Opinion on the connected transactions
 - (f) Number of attendance of Audit Committee as well as each respective attendance
 - (g) Opinion or overall observations from the audit committee in compliance with charter's specified duties
 - (h) Other relevant indicating what shareholders and investors should know in accordance with the scope of works and duties and responsibilities assigned by the Board of Director
- 7) To perform other duties as assigned by the Board of Directors and approved by the audit committee. The audit committee will be directly supervised by the Board of Director whereas the Board of Director will be responsible for external parties.

3. Management Team

Names of the management team as at December 31, 2011

Name-Last Name	Position
1. Ms.Su, Ming-Fen	Chairman of the Board and Managing Director
2. Mr. Chen Tai	General Manager
3. Mr.Chiang Jung Tsung	Vice General Manager
4. Ms.Oranuch Suratroongrojkul	Audit Manager
5. Mr.Hsu, An-Jen	Sales Manager
6. Ms.Radatorn Tanaasawapol	Financial and Accounting Manager

The scope of work and responsibilities of the Managing Director

1. Authorized and empowered to implement the policies of the Board of Directors provided that such business operations or work assignment is conducted in accordance with governing laws as well as the rules and regulations of the company.
2. Look after and supervise the business operations of the Company to ensure that such works are carried out in accordance with the policies and instructions given by the Board of Directors.
3. Take into consideration various issues and make recommendations for changing or improving various work regulations as deemed necessary and appropriate, and submit such recommendations to the Board of Directors for consideration and approval.
4. Pertaining to the granting of consent and/or approval for engagements or transactions which would legally obligate the Company in the capacity of the "Borrower." The managing Director shall be

authorized to approve loans which do not exceed 1,100,000,000.00 Baht. If in excess of 1,100,000,000.00 Baht, such arrangement shall be approved by the Company Board of Directors.

5. Engage in other tasks as assigned by the Board of Directors.

4. Election of the Directors and the Management

Selection of persons to be appointed as directors of the company does not involve the process of nominating committee whatsoever. Nevertheless, the company has laid down guidelines on the appointment of board of directors in accordance with section 68 Public Limited Company Act. and the rule and regulation of SET as follows:

(1) One shareholder is entitled to one vote per share.

(2) Each shareholder must use all of his votes under (1) to vote for the election of one to be directors.

(3) Shareholders must cast all of their votes for one nominee, and may not divide their votes.

The candidates obtaining the highest numbers of votes shall be appointed directors, until all vacancies are filled. Should be a tie vote, the chairman of the Board of Directors will make the determination.

5. Remuneration and Benefits for Board of Directors and management

5.1 Director's remuneration 9 persons and Management 7 persons as at 31st Dec 2011 as follows

Type of remuneration	Director's remuneration 9 persons (Baht)		Managements remuneration 7 persons(Baht)	
	2011	2010	2011	2010
Salary	247,000	251,000	6,735,191	6,195,347
Bonus	-	-	500,901	448,455
Premium	1,400,000	780,000	-	-
Total	1,647,000	1,031,000	7,236,092	6,643,802

Remark :

- On November 30, 2011, Director's total 7 persons, By Mr. Yen, Ming - Shan and Mr. Yen, Ya - Nan resigned of the directors.
- On November 24, 2011, Management's total 6 persons.

5.2 Other Remunerations

- None –

6. Supervision (Good Corporate Governance)

The Board of Directors has outlined the company's management and controls in accordance with directions prescribed by the Stock Exchange of Thailand which may be summarized as follows:

6.1 The Policy of Corporate Governance

The Board of Directors has noted the importance of good governance policy and passed a policy, which emphasizes operational transparency and accountability. Regular disclosure to the public and shareholders has been adopted as general practice of the Company. In addition, the Company adopted strict internal audits and controls in recognition of their importance. With regard to risk management, the Company has closely controlled and managed risk while keeping in mind a good relationship and business ethic towards business partners, shareholders and all concert.

1. Shareholders Right

The company recognizes the importance of equal rights of all shareholders. The company considers all shareholders as owners of the company regardless of the percentage of shares owned. The company reports to shareholders regularly on progress of operations, it will report through the Stock Exchange of Thailand. The company recognizes that each shareholder is equally important as the owner of the company and therefore realizes every aspect or issue that the shareholder addresses as follows:

1.1 In 2011, the company convened 2 times of the shareholder meeting. On April 28th, 2011 at 10.00 am., the company convened the Annual General Meeting. And the Extra Ordinary Meeting 1/2011 on November 24th, 2011 at 10.00 a.m. at Ball Room, Bangpoo Golf and Sport No. 191 Moo. 3, Bangpoo Industrial Estate Soi 9, T. Preaksamai, A. Muangsamutprakarn, Samutprakarn. The meeting resolved all proposed agendas in appropriate order.

1.2 The shareholders were given 14 days advance notification including other supportive documents in sufficient manner prior to the meeting through the company's registrar. The disclosure of shareholders' notification was also conducted through the company's website prior to the meeting.

1.3 The company encouraged and offered the shareholders the opportunities to fully express the opinion. In case that the shareholders do not attend the meeting, the shareholders are able to give the proxy to other assignees to attend and vote on their behalves. The company publicizes the proxy form in the company website for shareholders' convenience.

1.4 During the meeting, the chairman offered the shareholders' opportunities to render their own opinion. Before the commencement of the meeting, the chairman announced the number of shareholders who physically attend the meeting and those who gave the proxy including the vote casting manner by

counting the dissent shareholders only for convenience. In addition, the company provided the opinion form in case non-approval in every agenda.

2. Equality of Shareholders' Right

The Company recognizes the rights of all shareholders to receive accurate and complete information in sufficient time to enable them to make decisions in shareholders' meetings. Prior to all shareholders' meetings, the Company shall send a notice convening the meeting, together with an agenda, to the shareholders and include an opinion from the board of directors on each agenda. Such notice will be publicized in the daily newspaper no less than 3 consecutive days and no less than 3 days prior to any such meeting. The notice of shareholder meeting will notify the necessary documents for the meeting, proxy form A for shareholders who are not able to attend a Meeting in person and proxy form B and C please download in the company's website. The Chairman will allow the shareholders rights to inspect the operations of the Company on an equal basis, enquire and give opinions and other suggestions, and shall record issues that have been discussed and important opinions in the minutes of the meeting so that the shareholders will be able to examine them.

3. Related Party Rights

All related parties, including but not limited to customer, business partners, credits, employees and competitors will be treated fairly. For example, the company will procure the product specified by the customer. The customer will be looked after both for the quality of product and after sale services. Confidentiality of the customer will always be honored while competitors will be treated fairly under normal competitive terms in the open market and without any illegal practices.

1. Shareholders and Investors

The company determines to operate its business to ensure the satisfactory outcome and best interests of shareholders and investors. The company also has policy to recognize the equality of the shareholders' rights in regard to the information in transparent and accountable manner.

2. Employees

The company realizes the importance of the employees and fairly treats them with respect of the welfare and compensation, good environment and work safety including their health as set out below.

- **The welfare**

- Provide the lunch welfare for every employee for free.
- Provide the top-up compensation for employees who do not take leave or be late to encourage the employees and practice the discipline for the employees.
- Provide the provident fund for employees.
- Provide Funeral welfare benefit and wedding welfare benefit

- Provide annual health check-up.
- Provide uniform.
- Offer the annual birthday souvenir by monthly.
- Organize Annual festive activities and rewarding for employee encouragement
- Exercise activity before work to help shore up the health of the employees and to keep alert
- Offer Extra reward for the employees who achieve the target to stimulate the working environment.
- Provide car pool service for the employee for transportation's convenience.
- Organize the promotional activities for the outstanding employees by awarding them on yearly basis.
- Offer the company's special price product for the employees.

- **Safety and Environmental**

The company has strongly realized in the employees' safety, so we have arranged the rule and compliance for safety control for the employee as followings:

- Provide campaign for clean environment within the office and factory to ensure cleanness and safety in accordance with 5S.
- Provide the nursing home and emergency cars throughout 24 hours for accidental preparation.
- Provide Fire Fighting Training to employee every year.
- Employee who has the risk of accident as well as Engineer the company will provide safety equipment for protection an accident.
- Morning talk via amplifier to inform the safety knowledge for the employees every morning such as the method for danger prevention for working with the dangerous chemical also the method for using the PPE equipment to be suitable for the working, accident prevention, taking care themselves during working under risk and etc.
- Training for new employee before starting working or changing their job function.
- To arrange the health checked up according to the risk factor as per the law.
- To arrange the training for the pregnant employee or planner with the local hospital cooperation
- To arrange the safety week activity for creating the safety mind to the employee as per the company safety policy.
- To set up the Safety Committee for supporting and taking care employee's safety. Also to arrange the random checking the alcohol level of the employee before start daily working trough roughly.
- To arrange the annual working environment checking.

- Development and course training for Employee

The company has the policy for human resource development according to their competency as per each section requirement. This is in order to create the competition in the organization in the term of product quality, competitive cost, on time delivery , production engineering knowledge and management as following:

- Provide training to the employees every Monday morning to be communication protocol and understanding the employees' need as well as strengthen the employees' knowledge.

- Sent the employee to training in Taiwan and Japan for development the product standard.

And keep customer's confidential with our product.

- Sent the employee to training as related field and by necessity such as Training with the Stock Exchange, government office and Department of Skill Development for development working skill of employee.

- To arrange the training for developing all level leaders in order to improve the competency of the employee such as "Just in Time" training, Smart to implement EQ in working efficiently by dividing the level of responsibility, position to be according to the working.

3. Customers

The company recognizes the importance to manufacture the quality product to meet the customer's requirement since the Company's policy is quality comes first and customers' satisfaction matters the most. The company organizes the customer satisfactory survey form so as to after reviewing the outcome of the survey improve the quality of product and service. We determine to develop our products, machinery, employees and logistics system including the research & development to improve the quality of products

Furthermore, the Company conducts its business with integrity and places the importance of retaining the confidentiality of each customer to meet the business ethics in order to tighten the good relationship between the company and customers to ensure the sustainability of the business.

4. Suppliers or creditors

The company complies with the suppliers and creditors in fair manner in accordance with the agreed business arrangement and terms and conditions with best interests of the company to ensure that the suppliers and creditors will be given the fair treatment in payment and receiving merchandise items in accordance with the agreement in timely manner. Every counterparty will be equally treated and the company will not pay overdue or object any payments unless deemed necessary.

5. Competitors

The company conducts its business with ethics and transparency and complies with the rules without the unfair business conduct to ruin the competitors and does not seek for the trade secret in unfair or inappropriate treatment including avoiding the price war and tarnishing the trade competitors' image. Throughout the company's business operation, the company has never experienced any legal disputes with the trade competitors.

6. Society and environment

The company supports the social activities that give raise the benefit to the community in order to build the long-term relationship with those in community. In terms of the environment, the company has set up the committee of safety and environmental for society and environment as following;

- Society

- Developed the new compound by eliminated entirely use of Polycyclic Aromatic Hydrocarbon: PAH, a chemical substance under low acute toxicity Category and probable cancer-causing. The Company use PAHs Free raw materials, which is same standard of the new regulation of European Tyre.
- Made a donation to help flood victims via Red Cross Society
- Support Bangpoo Industrial Estate activity such as sent employee to participate the sport game.
- Made a donation to help the flood victims via the office of Bangpoo Industrial Estate.
- Sponsor our motorcycle tire and tube product for using in the police job for the service area of Bangpoo.

- Environment

- Set up saving energy group for control energy usage with the best profit and reduce energy usage which is not accessories by divided to 3 groups.

1.The group of Electric energy 2.Water energy 3. Wind energy

With the following activities:

- Changed the light bulb from T8 to be T5
- Reduced the air- condition from 36000 BTU to be 30000 BTU.
- Installation the ventilation fan for freshening and down temperature air in the building.
- To reuse the condensate water from BOM machine.
- To install the on-off automatic system of the cooling tower.
- Separate the kind of garbage and assign one staff to recheck before discard.
- Use Natural Gas energy instead of fuel oil in the process for reduce to release Carbon Dioxide.
- Growing the tree in factory area and office building for the freshen atmospheres and reduce global warming

- Provide an activity campaign for saving energy to employee and showing the benefit of energy such as competition of the board decoration each section.
- Set up energy team for check energy turn on - turn off during rest time and after finished work.
- To arrange for checking the smoke remover at boiler as per the law at twice a year.

4. Disclosure of Information and Transparency

The company realizes the important of accurate and timely disclosure, including disclosure of financial information and other information which may affect the company's share price. Such disclosures will be done through direct communication to shareholders and through Stock Exchange of Thailand, the Form 56-1 and Annual Report including other incumbent reports required to submit to the Securities Exchange and Commission (SEC) and disclosure at www.duro.co.th

The Company has also established formal investor relations function deputized for any communication to disseminate the company news and activities for shareholders, investors, analysts and citizens. Further information regarding the company can be obtained by contacting the company at the e-mail address: hwafong@duro.co.th or tel. 0-2709-6580 ext. 103 and 118 (Ms.Oranuch and Mr.Athisit). The company had disclosed the information with transparency as following:

- Sent the financial statement to the Stock Exchange Committee and Stock Exchange of Thailand in the due time and the accounting auditor has not against in opinion.
- Disclosed the information in the company annual report and website completely such as the Balance Sheet, Meeting Minutes and the Annual Report format and etc.
- Disclosed the details of related company transaction and also the benefit of director and top management.
- Disclosed the remuneration rate of director and top management clearly.

5. Responsibility of the Board of Directors

5.1 Board of Director's Structure

The company's directors consist of 7 directors as follows:

Executive Directors	2 persons
Non-Executive Directors	2 persons
Independent Directors and Audit Committee	3 persons

The Executive Directors are capable of industry knowledge for a long period of time from the parent company located at Republic of Taiwan. The 3 independent Directors are considered as no conflict of interest and free to express their view and observations in case that the opinion from the Audit Committee is different from the Board of Directors to strike the balance of the Executive Directors. Furthermore, the chairman of the Audit Committee is competent in financial and accounting background and fully understands the company's business and its respective financial report.

5.2 Sub Committee

The Company has appointed an audit committee in 3 years' term, consisting entirely of Independent Directors as follows:

No.	Name-Last Name	Position
1	Ms.Sajeerat Metheesuwapab	The chairman of the Audit Committee
2	Mr.Anupong Techaamnuyaporn	Audit Committee
3	Ms.Supaporn Kohuad	Audit Committee

All audit committee members has requisite qualification under relevant SET rules and guidelines, (specifically, that such members have accounting or finance backgrounds).

The Audit Committee meets and reports to the Board of Directors on following matters:-

- To review financial reports before submitting them to the Board of Directors.
- To co-ordinate with internal auditors on report of internal controls assessments.
- To review transactions that involves conflicts of interests.
- To contemplate the risk management.

5.3 Role and Responsibility of the Board of Directors

The Board of Directors is responsible for the company's financial reports and performs the financial projection in accordance with the accounting standard, the financial information. In addition, the Board of Directors obtains help from audit committee and internal control unit to supervise inspect the internal control system whereby the members of audit committee are prohibited to be management team and must be independent.

In addition, the Board of Director also emphasizes on the importance of efficient operation as well as the risk management taking the best interests of shareholders into consideration.

5.3.1 Leadership and vision

The board of director is eligible to endorse the vision, business goal and mission including the company budget. In addition, the boards of director's duties are to supervise the management team to conduct the business as set out in the company's policy with accountability and integrity to achieve the target. Furthermore, the board of director recognizes the importance of the internal control system and internal audit to ensure the business conducted in productivity and efficient manner including the prudent risk management for the best interests of shareholders.

5.3.2 Business Ethics

The board of director and management team has cultivated the business ethics for every employee to comply with integrity and be responsible to all stakeholders, shareholders and all concerned parties to build the organizational culture in relation to business ethics which are made accountable and recognizable for general public.

5.3.3 Conflict of Interest

The company has given the policy to manage the conflict of interest with caution and transparency of which the transactions are to be proposed to the board of director for consideration. The connected party is not eligible to cast the vote to ensure the fairness and best interests of the company. The company will comply with the rules and regulations set forth by the Stock Exchange of Thailand and disclosure the information with sufficiency, accurateness containing the value of the transaction, the parties involved with further disclosure to be conducted in the annual report.

5.3.4 Internal control system and Internal audit

The company has its own functional internal audit department to have duties to examine the business operation and important financial activities to ensure the proper conduct in accordance with the guideline and procedure set forth by the company. The company has established its own internal audit and continuously improved the functionality to ensure that the procedural system is conducted in productivity and efficiency manner with periodical monitoring system. The monitoring system includes the examination of the procedure for implementation. On the contrary, the inspected department will be given the evaluation and recommendation feedback to improve the auditing and monitoring procedure including the modernization of IT system.

5.4 Directors Meeting

The Board of Directors will have annual schedule of meetings. Typically, a meeting is convened every 3 months with extraordinary meetings convened as required. The Chairman or other directors assigned by the chairman will issue a notice of the meeting with agenda and enclose all information related to the agenda.

The notice of meeting will be sent out to all directors seven days in advance. In 2011, the Board of Directors and Board of Audit Committees convened the meeting 7 times and 5 times respectively. Details of Attendance of the Board of Directors and Board of Audit Committee can be summarized below:

Board of Director's meeting

Name	Number of Attendance / Number of Meetings		Remark
	Board of Director	Board of Audit Committee	
1. Ms.Su, Ming - Fen	2/7	-	Appointed on November 24, 2011.
2. Mr.Chen, Heng-Yi	6/7	-	
3. Mr. Chen Tai	7/7	-	
4. Mr.Chang, Chun - Chuan	0/7	-	Retired on November 24, 2011.
5. Mr.Lai, Kuang - Yang	3/7	-	Retired on November 24, 2011.
6. Ms.Silvia Wu	4/7	-	Retired on November 24, 2011.
7. Mr.Ho, Chia - Chou	2/7	-	Resigned on August 10, 2011
8. Ms.Oranuch Suratroongrojkul	5/7	-	Retired on November 24, 2011.
9. Mr.Yen, Ming – Shan	1/7	-	Resigned on November 30, 2011.
10. Mr.Yen, Ya – Nan	1/7	-	Resigned on November 30, 2011.
11. Ms.Liang, Su - Jung	2/7	-	Appointed on November 24, 2011.
12. Ms.Sajeerat Metheesuwapab	7/7	5/5	
13. Mr.Anupong Techaamnuyaporn	6/7	5/5	
14. Ms.Kuo, Hui - Ling	3/7	5/5	Retired on November 24, 2011.
15. Ms.Supaporn Kohuad	2/7	-	Appointed on November 24, 2011.

5.5 Self-assessment of the Board of Directors

The company has established self-assessment for the Board of Directors for the past year in compliance with SET's rule and regulation in which the Board of Directors employs to enhance and improve the efficiency and productivity. For the evaluation result for the period 2010, the overall performance of the Board of Directors is fairly good.

5.6 Directors and Managements Remuneration

Director's remuneration guidelines have been clearly established based on workload, assignments, responsibility and the basis of company operation and the performance of their management. Both Directors remuneration and management's remuneration has been disclosed in the section of remuneration and Benefits for Board of Directors and management.

5.7 The development of the Directors and Management Team

The company gives support to the Directors and Management Team to take part in the seminar so as to improve the operational skill and enhance its capacity as well as business vision.

7. Supervision of Internal Information

The company has a policy on supervision of usage of internal company information by its executives, staff including their spouses and the minor child for their own benefit. The executives, staff and the spouse and minor child of such person who come to possess internal company information are not permitted to disseminate such internal information on prior to the company announcing its results of operations (financial statements) to public. Such persons are not permitted to buy or sell the securities of the company prior to the company's public disclosure.

8. Internal Control System

The Company Board of Directors had established the policy and procedure for all business engagements to be conducted with transparency and efficiency, and has instituted and developed a system for conducting internal audits as evidenced in the company's Internal Audit Manual. The internal audit and control system has been introduced to ensure that the company's business engagements are executed with utmost prudence and awareness, and in order to manage and minimize the risk factor associated with such business Activities to an acceptable level. The provisions of the company's Internal Audit Manual provides a coverage over Internal Audit & Control Procedures which are enforced upon and strictly adhered by both the managerial level staff members and all company employees under heading in the year 2011as follows

1. Sales and receipt of payment
2. Purchase and payment
3. Production

4. Personnel & human resources management
5. Procurement of investment capital
6. Procurement of fixed assets
7. Procurement of IT management
8. Control and supervision of internal operations,

According to the internal audit system, should the deficiency of the operation be found, the internal audit department will report and give the recommendation to its respective high-level senior managements as well as its related departments to seek for the conclusion and improve the operation continuously. In addition, the internal audit periodically convenes the meeting with the audit committee and propose the audit findings to the audit committee and certified accountant in every quarter. However, should the deficiency of audit findings be not significantly found, it is conducive that the internal control system has been sufficient and efficiency.

9. Opinion from Board of Directors

The Board of Directors is the opinion that the company's Internal Audit System is sufficient and satisfactory and, to a certain extent is considered suitable. The company has set Operational Targets which can be factually achieved, and company performance is consistently monitored and regularly appraised and assessments made, as well as the close monitoring and follow-up of all company business engagements and activities, and for this purpose the Internal Audit Committee had been appointed as a totally independent entity tasked with the responsibility to follow-up, appraise and assess work results and performance of the company.

Risk Factors

Risk factors mentioned in this section are considered as the critical risk factors that may potentially influence on the business operation. It is incumbent upon the investors to contemplate these risk factors that may arise in addition to those stipulated in these documents.

● Business Operation Risk

1. Risk related to the large competitors and new competitors

Presently, the main competitors for motorcycle and bicycle tire and tube consummate to be 5-6 persons locally. It is important to concern on the new entry of other competitors depending on the expected surging demand. However, the new comers are lack of capital, technology, human resources, and marketing and trademark to be recognized, which reduced the likelihood of new entry of competitors. Also, the long-term establishment can be beneficial to the existing players, which created so-called barrier of entry. At the present, Thailand is under AFTA free trade area which cause the incoming product of the other competitor has been imported such as Vietnam and China to destroy the local market. However even its cost is quite low ,but its quality still is not accepted by the global consumer.

For the sake of potential international competitors, with the umbrella of HFR, incorporated in Taiwan for a period of time coupled with being the producer and distributors in many countries, HFT can automatically enhanced the distribution channel, which sustain the competitive edge worldwide. However, the company has faced the pricing issue which is deemed to be higher than sale price quoted by other competitors, particularly Chinese rivals having their competitive edges in terms of production cost. The generally higher selling price stemmed from the higher price from main raw materials i.e. nylon, synthetic rubber and chemical, most of which had been procured from China since the merchandized items from China are cheaper than those in other sources together with the reasons from fewer suppliers. Nonetheless, since the company has changed its stance to review and hike the selling price in tandem with higher cost pressure, which may adversely impact on the company's competitive advantage. However, with the globally recognized standard, the company is confident that its selling point in terms of quality is still second to none, thus helping retain the customer base.

2. Risk incurred from the cannibalization among company groups

Since groups of company are in the same industry, the parent company therefore requires establishing the inter-company policy to separate the products and marketing in transparent manner (Please see the product type and market sectors of the affiliated companies page 115). In addition, the company

requires monitoring the affiliate companies to ensure the compliance as set out in the guide line. Currently our company has got a lot of the major and minor customers who are interested in our Thailand factory product. But the company must trace back or check with the mother company if we may have the parallel export in to the same market which will cause the competition conflict in the group company. The segregation of the markets hinges on the unique competitive advantage depending on the location, import duties, type of products and price in order to balance the companies under the group with each respective customer and avoid any cannibalization.

3. Risks related to the competition from Sumitomo Rubber

For Sumitomo Rubber as HFR's majority shareholder, with expertise in the manufacturing of the motorcycle tire and tube and as long-term business alliance with the company, Sumitomo Rubber has therefore acts as business partner rather than the competitor. Currently, the motorcycle tires produced from the company are unique to those from Sumitomo Rubber which were produced in other factories. Hence, it is difficult to compete within the same market coupled with the long-term established relationship. For the company's point of view, the company has consistently received the strong support from Sumitomo Rubber to develop the products under "Dunlop" licensed with Sumitomo Rubber and the company can therefore exploit such know-how to indirectly improve other products under the group. Moreover, now our company has been transferred the right to produce the All Terrain Vehicle tire (ATV) from under trademark "DUNLOP" to be under trademark "DURO" instead. Also the company also has been transferred the existing customer group of ATV tire from "DUNLOP" which is belong to Sumitomo Rubber , and now we have got quite good feedback from the market.

4. Risk associated with Foreign Exchange Rate

- Risk from Trading

The revenue attributable from export accounted for 58.20 % in 2010 and 57.23 % in 2011 respectively. The main trading currencies include USD dollar and Euro. Therefore the exchange rate fluctuation is still the major factor which causes the impact to the company financial status, especially of USD which is the major currency for our trading currently. Anyway the fluctuation had not been affected too much but it still affected to the international sales as the income of product unit will be reduced when it's paid during the appreciated USD in that period.

However, on the contrary if baht becomes appreciate, it will be good to the company for imported raw material from international countries. Nonetheless, the company has endeavored to match the same currency with assets and liabilities to ensure the natural hedge which can in some extent reduce the foreign exchange risk.

- Risk from the financial loan

The company has financial loan risk in the international currency because fluctuation in exchange rate. However it is a few financial loan risks because of short –term loan.

5. Risk related to the uncertainty in price of product and raw material

In 2011, pricing of natural rubber were averagely increased even it had been decreased at the year end , but due to the economic crisis in Europe which caused the investors and the other users are not confident in the market situation, then they were more aware in buying or selling. Including the demand of natural rubber from China had been decreased as the tendency of China will decrease the import duty of natural rubber, then it caused the investors had been slow down on buying. Moreover Thailand had got the big impact from the worst flooding disaster during 50 years past. Then it caused the automobile manufacturer had slowly stop the production in many area. Then it's affected the natural rubber demand had been decreased. However, by overall, the rubber price is still fluctuated and has got the higher trend due to the government strategy of selling price interruption. According to this reason, the company had tried to increase the selling price of the product and plan for rubber buying, including the improvement of defect rate reduction in production process.

6. Risk from the deficiency machinery

With the 24-hours operation, it might be the case that the malfunction of machinery and Equipment can happen, thus potentially halting the company's operation. With this regard, the company usually sets the maintenance program to ameliorate the machine to be in place. As a matter of fact, the company prepare for the large maintenance program twice a year by means of holiday event such as Songkran, New Year, thus ensuring the continuity of the operation.

7. Risk from the Natural Disaster

The company had not been affected directly from this trouble period of flooding disaster which had been occurred in 2011. But it had been affected indirectly such as some customer asked for delay delivery to their warehouse , and some vendors either could not deliver us good as due time and etc.

- **Management Risk**

1. Risk related to the independent HFT's management policy

HFR, parent company holds the stake of 50.42% of total Paid-up shares. As a result of this, HFR can effect company matters that require a supermajority vote of shareholders and entirely control the company. However, the parent company i.e. HFR has no policy to manipulate the HFT's policy. Rather, HFR will help support for instance, the sale order from HFR's orders together with the support to procure the international clients to HFT. In the process of raw material purchase, HFT is free to buy any suppliers who provide the fair price. In 2011, the raw material purchased from HFR accounts for only 0.67% of total raw material. Additionally, it might be concern on the change in the management policy among group, generating adverse impact to HFT for instance, lower margin, decreased orders from HFR. However, it is very unlikely to be that way according to the past record; it has been clearly stated by the HFR among groups in terms of the market segmentation. In addition, the HFR, parent company is also listed Taiwanese company and is obliged to comply with the relevant rules and regulations.

2. Risk from reliance on the management of the parent company

The company is the affiliated company of Hwa fong Rubber Industries which is the parent company in Taiwan and hold 50.42 % of company's share. The company is tire and tube manufacture under brand name "DURO", "Q-UICK" and "DUNLOP", it has created the identical quality and standard among groups for a period of time. The companies amongst its group have adopted the mutual technology support whereas the marketing policy and price determination are agreed upon the HFT and its parent company since the policy must be adhere from the parent company. Therefore, the classification of product can be clearly broken down by the product quality, the price and market segment determined by the parent company's Board of Director.

The possible risk is related to HFR's existing shareholders, if any changes in shareholder structure take place, in turn triggering the significant change in the policy. However, after this IPO process, it will be clearly viewed to be the same shareholder group to create the strength and support the competitiveness among groups. HFT, in addition, can focus more on the domestic and international without any intervention from HFR and its affiliates.

For Sumitomo Rubber, another HFR's majority shareholder, 13.15 % stake, it can be seen as one of main shareholders to generate the adverse impact if they are to pull out since some of revenue stream stemmed from the brand "Dunlop" and its technology support. However, with the long-term relationship with the company group coupled with the fact that Sumitomo Rubber has transformed from the supplier partner to the shareholder indicated the tightened relationship and its stronger business collaborations in the future.

In the case of no cooperation from two majority shareholders mentioned above, HFT can ensure the Era of Success, evidenced by the increase in domestic sale to 42.77% in 2011. In addition, the long-term relationship amongst groups including HFT, parent company and Sumitomo Rubber more than 30 years will ensure the long commitment.

Connected Transaction

- Related Transaction for the Year 2011

During the year 2011, the company has entered into connected transaction with persons/parties. The detail of each transaction is set out below;

Transaction	Relationship	Description	Value of related transaction in 2011 (MB)	Pricing policy	Appropriateness
1. Hwa Fong Rubber Industries Co., Ltd. (HFR)	Major shareholder holding 50.42%	- Product sale	11.81 MB (345,982 units)	- Pre-determined market price, which incurred gross profit compared to previous-quarter average cost	The price can be compared to the market and normal business conditions
		- Account receivables	4.01	- Credit 60 days	
		- Raw material purchase	9.25	- Cost plus margin	For Production under standard and normal business conditions
		- PP&E investment	12.9	- Cost plus margin (Purchase on machinery for production)	For complying the same production technology and normal business condition
		- Spare part purchase	4.84	- Cost plus margin (Purchase on the spare part for production)	For complying the same production technology and normal business condition
		- Technical assistance fee	3.16	100,000 USD per year	Contractual agreement
		- Product trademark fee	5.81	0.5% of the value of products sold	Contractual agreement
		-Pattern Right	1.38	Initial fee 15,000 USD and 30,000 USD per annum.	Contractual agreement
		-Technician	0.1	As agreed	Contractual agreement
		- Trade payable	2.34	Credit 60 days and as agreement.	
		- Other trade creditors	9.47	Credit 60 days in accordance with trade agreement	

Connected Transaction (Continued)

Transaction	Relationship	Description	Value of related transaction in 2011(MB)	Pricing policy	Appropriateness
2. Hwa Fong Rubber (USA) Co.,Ltd. (HFA)	Affiliate company (same parent company)	- Product sale	1.85 (50,032 units)	Predetermined market price, which incurred from the gross loss (compared to previous quarter average Cost and the loss from the sale for obsolete products)	The price can be compared to the market price and normal business conditions
		- Account receivables	5.81	Credit 90 days	
3. Hwa Fong Rubber (Hong Kong) Co.,Ltd. (HFK)	Affiliate company (same parent company)	-Product sale	-	Predetermined market price, which incurred from the gross loss (compared to previous quarter average cost and the loss from the sale for obsolete products)	The price can be compared to the market price and normal business conditions
		- Account receivables	38.9 (350,830 units)	Credit 60 days	
4. Hwa Fong Rubber (China)Co.,Ltd. (HFC)	Affiliate company (same parent company)	- Raw material purchase	1.29	Cost plus margin	The price can be compared to the market price including terms and conditions
		- PP&E Investment	0.12	- Cost plus margin (Purchase on machinery for production)	The price can be compared to the market price including terms and conditions

Connected Transaction (Continued)

Transaction	Relationship	Description	Value of related transaction in 2011 (MB)	Pricing policy	Appropriateness
4. Hwa Fong Rubber (China) Co.,Ltd. (HFC) Continue	Affiliate company (same parent company)	- Product purchase	33.69	- Cost plus margin (for resale as distributor)	The price can be compared to the market price including terms and conditions
		Purchase Spare and material	0.93	Cost + margin (for machine repairing and waste tooling for production)	For the same technology implementation for production and under normal business condition.
		- Trade payable	0.38	Credit 60 days	
		- Other trade creditors	0.07	Credit 60 days	
5. Sumitomo Rubber Industries Co.,Ltd.	- Related company holding the shares in parent company (HFR) up to 13.15%	- Product sale	269.15 (719,323 units)	- Pre-determined market price, which incurred gross profit compared to previous-quarter average cost	The price can be compared to the market price including terms and conditions
		-Account receivables	18.14	- Credit 30 days	
		- Raw material purchase	6.92	- Cost plus margin	The price can be compared to the market price including terms and conditions
		- Permanent Asset purchase	3.81	- Cost plus margin	
		- Technical assistance fee	3.09	0.4% of the value of products sold	Contractual agreement
		- Product trademark fee	5.67	1.5%-3% of the value of products sold	Contractual agreement
		- Trade payable	1.34	Credit 60 days	
		- Other trade creditors	4.01	Credit 60 days in accordance with trade agreement	

As shown above, the company has a sales transaction with affiliated company by sales for HFR 0.53% HFA 0.08% , HFK 1.72 % and Sumitomo Rubber Industries 12.13 % of total sale. The selling price amongst connected company is based on fair market price in accordance with the connected company agreement which incurred profit (compared to the average cost from previous quarter).

In relation to the credit term, the company gives the payable period for both parent company and affiliate companies around 30-90 days in accordance with normal course of business.

In relation to the raw material and machinery purchase from parent company, the company was obliged to pay the management fee in addition to the raw material price and machinery. This is in compliance with the normal market practice amongst the group whereas the parent company determines the guideline and conducts across the companies under the group. However, the company may only purchase the integral raw material and machinery for identical standardization amongst the group.

- **Necessity and Appropriateness of Connected transaction**

The above inter-company transactions were undertaken for the maximum benefit of the Company and were subject to the normal terms and conditions of business relationships. For instance, to make the standard among groups identical and machinery in which it is required to obtain the supportive know-how from parent company, it is as a result incumbent upon HFT to purchase the same quality of raw material among groups, in which purchasing from the parent company can be the good solution for this. Apart from that, the arrival and need of the raw material are also critical to save the inventory cost. In 2011, HFT purchased the machinery and equipment from HFR, parent company considerable volume to be installed in second factory, so the parent company is able to provide the technological support and give the instruction use. Apart from that reason, Taiwan ranked amongst top in terms of the export of bicycle and motorcycle tire, implying globally recognized standard.

- **Measures/Procedures of approving connected transaction**

The Company has complied with the Securities act (No.4) enacted in 2008 which stipulates and regulates the execution of interrelated transactions between the Company and other affiliated companies within the Group and the transactions with the directors, executives and related persons must be approved by the Board of Directors or the approval in principle from the Board of Directors prior to undertaking the transaction.

- Policy or trend of connected transaction

The company expects to continue to engage in existing inter-company transactions carried out in the normal course of business in fair market price basis. In purchase of the machinery, equipment and spare part via the parent company and affiliate companies, the basis will be cost plus the management fee which will be conducted due to the identical standardization amongst the group and the immediate necessity to procure some types of raw material, thus making the company essentially procure through the parent company and affiliate company albeit probably more expensive than direct purchase. In any case, in conducting of connected transactions, the company will comply with the inter-company policy in accordance with normal course of business.

Management Discussion & Analysis

● Overall Performance

For overall performance, HFT reported its revenue from sales up to 2,218 MB in 2011, an increase of 9.85% compared to the revenue of 2,019 MB in 2010, total sales increasing 199 MB from mainly attributable to the global economic recovered and The company has a marketing successful with the policy to expand the international trading such as Asia, Middle East and Africa market. Hence the company reported its net profit 125.85 MB, an increase of 5.6% or 6.67 MB from the year 2010 , equivalent to 0.20 Baht with respect of EPS.

1. Revenue from Sales

The revenue from Sales can be categorized into the domestic and international sales, with the international side taking up 948.67 MB and 1,269.91 MB for domestic one increase of 8.03% and 12.38% from 2011 respectively, the factor of sales volume continually increase because of The company has a marketing successful with the policy to expand the international trading such as Asia, Middle East and Africa market. For domestic sales the company expanded to replacement equipment Market by selling to the motorcycle and part shop and started selling the product of all terrain vehicles to Kawasaki under DURO brand also.

The company concentrates with the quality standards and develops product efficiency by continually Therefore keep popularity and respectfully by customer.

2. Other revenues

Other revenues comprised miscellaneous income, interest received and profit from the exchange rate which can be calculated as totaling 21.72 MB, decreased 1.61 MB from 2010. Mainly due to the profit from the exchange rate income totaling 13.57 MB. However the other income of company has not been affected with the operation performance that only total 1.06 % of total income of 2011.

3. Cost of Sales and Selling and administrative expenses (SG&A)

In year 2011, the cost of sales amounted to 1,901 MB while it represented 1,716 MB in 2010, which is increased 185 MB or 10.75 % year-on-year. The cost of sale which increased mainly based on the main raw material price continues rising especially natural rubber which is requested from expansion in China's and India's Automobile Industry. The Production of Natural rubbers in the worldwide market are decrease because of climate change so natural rubber doesn't enough as the market demand. In addition the prices of other main raw material are raising also e.g. synthetic rubber, wire and other chemical.

The cost of raw material increase as mention affected to the gross profit in 2011 decrease 5.01 % from the previous year . In 2011, the company has applied many kinds of cost reduction strategy such as setting up the Energy Conservation group for controlling the maximum utilization of all kind of energy and

reduce the non-necessary usage. Company also implemented the inspection of the production control to reduce the indirect production procedure cost as well as the development of the production formula for both tire and tube to improve the production efficiency.

The expense of sales meanwhile decreased 10.85 MB from 127.68 MB in 2010 to 116.82 MB in 2011 mainly as a result of changing the term of price from CIF (Cost, Insurance and Freight) to be FOB (Free on Board) in order to reduce the transportation expense fluctuation on the oil price and the other management expense which had been increased 1.25 MB from salary adjusting in 2011.

- **Financial Status**

- 1. Asset**

In 2010, HFT had total assets of 1,755 MB, increased of 16.54 MB from 2010 with major reason of the additional balance stocks due to many customers delayed the delivery as the flooding crisis. Moreover the factory of highly raw material price adjustment which is affected to the value of balance stocks value had been increased. The major items of asset comprised the cash and cash equivalent at 13.64%, trade account receivables at 15.89%, Balance Stocks at 29.79% and the fixed asset as a percentage to total asset at 39.65%.

The collection capacity showed signs of improvement as the day's collection period in 2011 were 41 days and 38 days in 2010. Typical credit policy is set average 30-60 days for normal clients. In addition, the company sets the viable policy to manage the account receivables and closely monitor the process as well.

- 2. Liquidity**

The current ratio in the year 2011 is equivalent to 2010 which is 2.60 times and the quick ratio decrease from 1.35 times in 2010 to 1.3. times in 2011. This is due to the turnover payment in the part of creditor had been increased to 62.39 MB from raw material purchasing for production process and stocking for 2012.

- 3. Sources of Funds**

In 2011, the debt to equity ratio showed the conservative level with ratio was 0.30 time. In 2011, it had been decreased from 0.34 time of 2010 which we can be realized. The current capital structure in 2011 can be well equipped for further business expansion.

REPORT OF CERTIFIED PUBLIC ACCOUNTANT**To the Shareholders of Hwa Fong Rubber (Thailand) Public Company Limited**

I have audited the consolidated statement of financial position of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiary as at December 31, 2011, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year ended December 31, 2011. I have also audited the separate statement of financial position of Hwa Fong Rubber (Thailand) Public Company Limited as at December 31, 2011, and the related separate statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year ended December 31, 2011. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated and the separate financial statements for the year ended December 31, 2010, of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiary, and also the separate financial statement of Hwa Fong Rubber (Thailand) Public Company Limited, presented here with for comparative purposes, were audited by another auditor in my office and expressed an unqualified opinion as report dated February 24, 2011.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial positions of Hwa Fong Rubber (Thailand) Public Company Limited and subsidiary as at December 31, 2011, the results of their operations and their cash flow for the year then end, and the financial position of Hwa Fong Rubber (Thailand) Public Company Limited as of December 31, 2011, the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

As explained in notes 3, 4 and 5 to the financial statements, with effect from January 1, 2011, the Company has adopted certain new and revised financial reporting standards. The financial statements for the year ended December 31, 2010, which are included in the accompanying financial statements for comparative purposes, have been restated accordingly

A handwritten signature in blue ink, appearing to read 'Wimolsri Jongudomsombut'.

(Ms. Wimolsri Jongudomsombut)

Certified Public Accountant (Thailand)

Registration No. 3899

Karin Audit Company Limited

Bangkok, Thailand

February 23, 2012.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION (cont.)

LIABILITIES AND EQUITY

		Baht			
		Consolidated		Separate	
		As at	As at	As at	As at
		December 31,	December 31,	December 31,	December 31,
		2011	2010	2011	2010
CURRENT LIABILITIES					
Shrot-term loans from financial institutions	14	-	19,692,595	-	19,692,595
Trade accounts payable and other payable	7,15	230,462,287	168,068,450	230,462,287	168,068,450
Current portion of long-term loans	16	70,000,000	100,000,000	70,000,000	100,000,000
Other current liabilities	17	97,620,366	77,777,978	97,549,260	77,737,478
TOTAL CURRENT LIABILITIES		398,082,653	365,539,023	398,011,547	365,498,523
NON-CURRENT LIABILITIES					
Long-term loans - net of current portion	16	-	70,000,000	-	70,000,000
Employee benefit obligations	18	9,320,570	-	9,320,570	-
TOTAL NON-CURRENT LIABILITIES		9,320,570	70,000,000	9,320,570	70,000,000
TOTAL LIABILITIES		407,403,223	435,539,023	407,332,117	435,498,523

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION (cont.)

LIABILITIES AND EQUITY

		Baht			
		Consolidated		Separate	
		As at	As at	As at	As at
		December 31,	December 31,	December 31,	December 31,
		2011	2010	2011	2010
Notes					
EQUITY					
Registered					
	658,434,300 ordinary shares of Baht 1 each	658,434,300	658,434,300	658,434,300	658,434,300
Issued and fully paid					
	658,434,300 ordinary shares of Baht 1 each	658,434,300	658,434,300	658,434,300	658,434,300
	Treasury shares 20	(100,090,114)	(100,090,114)	(100,090,114)	(100,090,114)
	Share premium	222,105,000	222,105,000	222,105,000	222,105,000
Retained earnings					
	Appropriated - Legal reserve 19	62,624,061	56,124,061	62,624,061	56,124,061
	Appropriated - Treasury share reserve 20	100,090,114	100,090,114	100,090,114	100,090,114
	Unappropriated	404,668,586	366,490,072	404,284,417	366,712,244
	Equity attributable to owners of the Company	1,347,831,947	1,303,153,433	1,347,447,778	1,303,375,605
	Non - controlling interests	-	-	-	-
	TOTAL EQUITY	1,347,831,947	1,303,153,433	1,347,447,778	1,303,375,605
TOTAL LIABILITIES AND EQUITY					
		1,755,235,170	1,738,692,456	1,754,779,895	1,738,874,128

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Baht			
		Consolidated		Separate	
		2011	2010	2011	2010
Revenues from sales	7,25	2,218,276,062	2,019,332,169	2,218,276,062	2,019,332,169
Cost of sales		(1,900,851,221)	(1,716,295,175)	(1,900,851,221)	(1,716,295,175)
Gross Profit		317,424,841	303,036,994	317,424,841	303,036,994
Other incomes	21	21,724,556	23,330,160	20,844,228	23,172,885
Profit before expenses		339,149,397	326,367,154	338,269,069	326,209,879
Selling expenses	23	(116,536,864)	(127,404,169)	(116,536,864)	(127,404,169)
Administrative expenses		(26,789,790)	(32,932,973)	(26,681,389)	(32,553,526)
Management benefit		(8,883,092)	(7,674,802)	(8,883,092)	(7,674,802)
Total expenses	23	(152,209,746)	(168,011,944)	(152,101,345)	(167,632,497)
Profit before finance costs and income tax		186,939,651	158,355,210	186,167,724	158,577,382
Finance costs		(5,001,744)	(4,710,958)	(5,001,744)	(4,710,958)
Profit before income tax		181,937,907	153,644,252	181,165,980	153,866,424
Income tax		(56,091,161)	(34,470,800)	(55,925,575)	(34,470,800)
Net profit and total comprehensive income for the years		125,846,746	119,173,452	125,240,405	119,395,624
Net income attributable to					
Owners of the Company		125,846,746	119,173,452	125,240,405	119,395,624
Non - controlling interests		-	-	-	-
Total comprehensive income for the years		125,846,746	119,173,452	125,240,405	119,395,624
Basic earnings per share (Baht / Share)	24	0.20	0.19	0.20	0.19
Weighted average number of ordinary shares (shares)		617,504,500	639,992,097	617,504,500	639,992,097

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		Baht								
		Consolidated								
		Equity attributable to owners of the Company								
		Retained earnings						Equity attributable to owners of the Company	Non controlling Interests	Total
		Appropriated								
Notes	Issued and fully paid share capital	Share premium	Legal reserve	Treasury share reserve	Unappropriated	Treasury shares				
Balance as of January 1, 2010		658,434,300	222,105,000	50,124,061	-	406,081,478	-	1,336,744,839	-	1,336,744,839
Legal reserve	19	-	-	6,000,000	-	(6,000,000)	-	-	-	-
Net profit and total comprehensive income for the year		-	-	-	-	119,173,452	-	119,173,452	-	119,173,452
Dividend paid	26	-	-	-	-	(52,674,744)	-	(52,674,744)	-	(52,674,744)
Increase in treasury shares	20	-	-	-	-	-	(100,090,114)	(100,090,114)	-	(100,090,114)
Treasury share reserve	20	-	-	-	100,090,114	(100,090,114)		-	-	-
Balance as at December 31, 2010		658,434,300	222,105,000	56,124,061	100,090,114	366,490,072	(100,090,114)	1,303,153,433	-	1,303,153,433
Impact of change in accounting policies	5	-	-	-	-	(7,067,692)	-	(7,067,692)	-	(7,067,692)
Balance as at January 1, 2011 - restated		658,434,300	222,105,000	56,124,061	100,090,114	359,422,380	(100,090,114)	1,296,085,741	-	1,296,085,741
Legal reserve	19	-	-	6,500,000	-	(6,500,000)	-	-	-	-
Net profit and total comprehensive income for the year		-	-	-	-	125,846,746	-	125,846,746	-	125,846,746
Dividend paid	26	-	-	-	-	(74,100,540)	-	(74,100,540)	-	(74,100,540)
Balance as at December 31, 2011		658,434,300	222,105,000	62,624,061	100,090,114	404,668,586	(100,090,114)	1,347,831,947	-	1,347,831,947

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		Baht						
		Separate						
		Retained earnings						
		Appropriated						
	Notes	Issued and fully paid share capital	Share premium	Legal reserve	Treasury share reserve	Unappropriated	Treasury shares	Total
Balance as of January 1, 2010		658,434,300	222,105,000	50,124,061	-	406,081,478	-	1,336,744,839
Legal reserve	19			6,000,000	-	(6,000,000)	-	-
Net profit and total comprehensive income for the year		-	-	-	-	119,395,624	-	119,395,624
Dividend paid	26	-	-	-	-	(52,674,744)	-	(52,674,744)
Increase in treasury shares	20	-	-	-	-	-	(100,090,114)	(100,090,114)
Treasury share reserve	20	-	-	-	100,090,114	(100,090,114)	-	-
Balance as at December 31, 2010		658,434,300	222,105,000	56,124,061	100,090,114	366,712,244	(100,090,114)	1,303,375,605
Impact of change in accounting policies	5	-	-	-	-	(7,067,692)	-	(7,067,692)
Balance as at January 1, 2011 - restated		658,434,300	222,105,000	56,124,061	100,090,114	359,644,552	(100,090,114)	1,296,307,913
Legal reserve	19	-	-	6,500,000	-	(6,500,000)	-	-
Net profit and total comprehensive income for the year		-	-	-	-	125,240,405	-	125,240,405
Dividend paid	26	-	-	-	-	(74,100,540)	-	(74,100,540)
Balance as at December 31, 2011		658,434,300	222,105,000	62,624,061	100,090,114	404,284,417	(100,090,114)	1,347,447,778

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Baht			
	Consolidated		Separate	
	2011	2010	2011	2010
Cash flows from operating activities				
Net profit	125,846,746	119,173,452	125,240,405	119,395,624
Adjustments to reconcile net profit (loss) to net cash provided by (paid from) operating activities :-				
Depreciation	104,020,141	113,592,469	104,020,141	113,592,469
Net loss on diminution in value of inventories	6,500,000	746,022	6,500,000	746,022
Reversal of allowance for diminution in value of inventories	-	(8,746,022)	-	(8,746,022)
(Reversal) of allowance for estimated unclaimed import duty	(9,737,483)	(7,171,120)	(9,737,483)	(7,171,120)
Write-off current liabilities	-	(48,256)	-	(48,256)
(Gain) loss on disposal of equipment	(783,849)	(626,231)	(783,849)	(626,231)
Unrealised loss (gain) on exchange rate	638,684	1,119,445	638,684	1,119,445
Provisions for employee benefits	2,252,878	-	2,252,878	-
Interest received	(2,592,501)	(1,734,874)	(1,592,173)	(1,497,599)
Interest expenses	4,716,995	4,439,049	4,716,994	4,439,049
Income tax	56,091,161	34,470,800	55,925,575	34,470,800
Net profit (loss) provided by operating activities before changes in operating asset and liabilities	286,952,772	255,214,734	287,181,172	255,674,181
Decrease (increase) in operating assets				
Trade accounts receivable	(58,139,517)	(12,173,114)	(58,139,517)	(12,173,114)
Inventories	(81,958,782)	(95,450,037)	(81,958,782)	(95,450,037)
Other current assets	23,408,383	9,972,869	23,411,841	9,978,601
Receipt from tax refunded	-	44,267	-	44,267
Increase (decrease) in operating liabilities				
Trade accounts payable	57,625,427	27,434,889	57,625,427	27,434,889
Other current liabilities	13,024,876	(2,283,894)	13,044,876	(2,324,395)
Income tax paid	(45,669,522)	(53,113,105)	(45,554,541)	(53,110,997)
Net cash flows from provided by (used in) operating activities	195,243,637	129,646,609	195,610,476	130,073,395

Note to the financial statements are an integral part of these statements.

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND SUBSIDIARY

CASH FLOW STATEMENTS (cont.)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Baht

	Consolidated		Separate	
	2011	2010	2011	2010
Cash flows from investing activities				
Interest received	2,575,543	1,776,003	1,577,462	1,565,249
Cash received from disposal fixed assets	3,649,009	1,494,760	3,649,009	1,494,760
Cash paid for purchase fixed assets	(36,031,124)	(44,878,005)	(36,031,124)	(44,878,005)
Cash paid for purchase investment	-	-	-	(50,000,000)
Net cash flows used in investing activities	(29,806,572)	(41,607,242)	(30,804,653)	(91,817,996)
Cash flows from financing activities				
Interest expense paid	(4,769,433)	(4,442,181)	(4,769,433)	(4,442,181)
Increase (decrease) in short - term loans from financial institutions	(19,692,595)	19,692,595	(19,692,595)	19,692,595
Increase (decrease) in long-term loans	(100,000,000)	(50,000,000)	(100,000,000)	(50,000,000)
Dividend paid	(74,100,540)	(52,670,006)	(74,100,540)	(52,670,006)
Cash paid for treasury shares	-	(100,090,114)	-	(100,090,114)
Net cash flows used in financing activities	(198,562,568)	(187,509,706)	(198,562,568)	(187,509,706)
Net increase (decrease) in cash and cash equivalents	(33,125,503)	(99,470,339)	(33,756,745)	(149,254,307)
Cash and cash equivalents at beginning of years	272,471,226	371,941,565	222,687,258	371,941,565
Cash and cash equivalents at end of years	239,345,723	272,471,226	188,930,513	222,687,258

Note to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

(a) Legal Status and address for company

Hwa Fong Rubber (Thailand) Public Company Limited (“the Company”) was incorporated as a limited company under Thai laws and registered to change its status to a public company under the Public Limited Company Act on July 29, 2002, and its parent company is Hwa Fong Rubber Industrial Company Limited, a company existing under Taiwanese laws.

As at December 31, 2011 Hwa Fong Rubber Industrial Company Limited, held at 50.42%

The Company’s registered address is 317 Moo 4, Soi 6C, Bangpoo Industrial Estate, Muang, Samutprakarn.

(b) Nature of the Company’s business

The Company is principally engaged in the manufacture and distribution of tires and tubes for bicycle, motorcycles and small logistics vehicles.

(c) Employees

The Company’s employees cost for the years ended December 31, 2011 and 2010 are as follows:

	Million Baht			
	Consolidated		Separate	
	2011	2010	2011	2010
Employees cost	263	258	263	258

Employee costs consist of salary, bonus, staff welfare, social fund and provident fund etc.

2. BASIS OF PREPARATION

- 2.1 The consolidated financial statements include the financial statements of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiary as follows:

Subsidiaries	Type of Business	Baht		Percentage of	
		Paid-up share capital		Shareholding	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
H F T Holding Co., Ltd. (Registered as a limited company on May 4, 2010)	Investment in bonds and securities, wholesales and retail trading of tires and tubes and equipments for vehicles	50,000,000	50,000,000	99.99	99.99

Material intercom any balances and transactions between the Company and subsidiary have been eliminated from the consolidated financial statements

- 2.2 The consolidated financial statements include only subsidiary which are controlled by of Hwa Fong Rubber (Thailand) Public Company Limited. Significant inter-transactions and balances have been eliminated

3. BASIS FOR FINANCIAL STATEMENT PREPARATION

3.1 Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (FAP); applicable rules and regulations of the Thai Securities and Exchange Commission and generally accepted accounting principles in Thailand.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements.

During 2010 and 2011, the FAP issued the following new and revised Thai Financial Reporting Standards (TFRS) relevant to the Company’s operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Cost
TAS 24 (revised 2009)	Related Party Disclosures
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

The adoption of these new and revised TFRS has resulted in changes in the Company's accounting policies. The effects of these changes are disclosed in note 5. Except for these changes, accounting policies and methods of computation applied in these financial statements are consistent with those applied in the financial statements for the years ended December 31, 2010.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other TFRS which are expected to be effective for financial statements beginning on or after January 1, 2013 and have not been adopted in the preparation of these financial statements in the following table.

TFRS	Topic	Year effective
TAS 12	Income Taxes	January 1, 2013
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	January 1, 2013

The Company is still evaluating the effect of such Thai Accounting Standards (TAS) and Financial reporting standard (TFRS).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost.

3.3 Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded to the nearest thousand or million unless otherwise stated.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following note:

Note 18 Discount rate, salary increase rate, employee turnover rate and mortality rate

4. CHANGES IN ACCOUNTING POLICIES

4.1 Overview

From January 1, 2011, consequent to the adoption of new and revised TFRS as set out in note 3, the Company has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for property, plant and equipment
- Accounting for employee benefits

Details of new accounting policies for the Company are summarised in notes 4.2 to 4.4 as follows:

4.2 Presentation of financial statements

From January 1, 2011, the Company has applied TAS 1 (revised 2009) Presentation of Financial Statements. Under the revised TAS, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

4.3 Accounting for property, plant and equipment

From January 1, 2011, the Company has applied TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Company are that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in determining the depreciable amount, the residual value of an item of assets has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the

end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised TAS, except that consideration of the costs of asset dismantlement, removal and restoration, have been applied retrospectively. The effects to profit and earnings per share for the year ended December 31, 2011 was disclosed in notes 5.

4.4 Accounting for employee benefits

From January 1, 2011, the Company has applied TAS 19 Employee Benefits.

Under the new policy, the Company's obligation in respect of post-employment benefits under defined benefit plans recognized in the financial statements based on calculations by the independent actuary using the projected unit credit method. Previously, this obligation was recognized as occurred.

The Company has opted to record the entire amount of this liability as an adjustment to retained earnings as at January 1, 2011, in accordance with the transitional provisions of TAS 19 as disclosed in note 5

5. EFFECT FROM FIRST TIME ADOPTION OF THAI FINANCIAL REPORTING STANDARDS

From January 1, 2011, consequent to the adoption of new and revised TFRS, the Company has effected to the financial statements as follows:

Accounting for property, plant and equipment

The Company has applied TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

Effect on profit and earnings per share

	(Baht)
	Consolidated/Separate
	For the year ended
	December 31, 2011
Decrease in depreciation expenses	2,892,898
Increase in earning per share (Baht per share)	0.004

Accounting for employee benefits

The Company has applied TAS 19 Employee Benefits is effect on financial statement 2011 are as follows.

	(Baht)	
	Consolidated	Separate
Statement of financial position as at December 31, 2011		
Retained earnings as at December 31, 2010 - as reported	366,490,072	366,712,244
Increase in employee benefit obligations	(7,067,692)	(7,067,692)
Retained earnings at January 1 , 2011	359,422,380	359,644,552
Statement of comprehensive income for the		
year ended December 31, 2011		
Increase in employee expenses resulting in:		
Increase in cost of goods sold	1,827,761	1,827,761
Increase in administrative expenses	425,117	425,117
Decrease in profit	2,252,878	2,252,878
Decrease in Basic earnings per share (in Baht)	(0.004)	(0.004)

The Company has disclosed the additional details of TAS 19 Employee Benefits in note 18.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 4, which addresses changes in accounting policies

6.1 Revenue recognition

Sales of goods

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

Interest income

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

6.2 Cash and cash equivalents

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

6.3 Trade accounts receivable

Trade accounts receivable are stated at their net realizable 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 experiences and analysis of debtor aging.

6.4 Inventories

Finished goods and work in process are valued at the lower of average cost and net realizable value. Cost includes all production cost and attributable factory overheads.

Raw materials, spare parts and supplies are valued at the lower of average cost and net realizable value and charged to production cost whenever consumed.

Allowance for diminution in inventory value necessary for obsolete, slow-moving and deteriorated inventories and for the cost higher than net realizable value.

6.5 Investments in subsidiary

Investments in subsidiary under the company only financial statement is stated in Balance sheet at cost less allowance for impairment in value (if any). The devaluation of investment is presented as impairment loss of investment, which reflected in the statement of comprehensive income.

Investment in subsidiary under the consolidated financial statements are stated in Balance sheet by equity method

6.6 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment as follows:

Buildings and building improvements	10-40	years
Machinery and equipment	5-20	years
Furniture, fixtures and office equipment	5-10	years
Motor vehicles	5-10	years

6.7 Employee benefits

Post-employment benefit plan other than a defined contribution plan. The Company's obligation in respect of post-employment benefits under defined benefit plans recognized in the financial statements based on calculations by a the independent actuary using the projected unit credit method estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

6.8 Treasury share

Treasury shares are recognized initially at cost and presented as a deduction from equity. An equal amount is appropriated from retained earnings and taken to a reserve for treasury shares within equity. When treasury shares are sold, the amount received is recognized as an increase in equity by crediting the cost of the treasury shares sold, calculated using the weighted average method, to the treasury shares account and transferring the equivalent amount to the cost of shares sold back from reserve for treasury shares to retained earnings. Surpluses on the sale of treasury shares are taken directly to a separate category within equity ("Surplus on treasury shares"). Net deficits on sale or cancellation of treasury shares are debited to retained earnings after setting off against any remaining balance of surplus on treasury shares and the reserve for treasury shares are credited at the equivalent amount to the cost of shares sold back to retained earnings.

6.9 Related party transactions

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

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

6.10 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the reporting date.

Gains and losses on exchange are included in determining income.

6.11 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same times.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

6.12 Provisions

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

6.13 Income tax

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

6.14 Forward exchange contracts

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

6.15 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates

7. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2011 and 2010, the Company had significant business transactions with related parties, which have been concluded on the commercial terms and basis as determined by the Company and those companies. Below is a summary of those transactions.

	Million Baht		
	Consolidated and Separate		
	For the years ended December 31,		
	2011	2010	<u>Transfer pricing policy</u>
<u>Transactions with parent company</u>			
Sales of goods	11.8	14.1	Please see detail below (a)
Sales of raw materials	0.9	-	Cost plus margin
Other income	0.1	0.8	Cost plus margin
Purchases of raw materials	9.3	13.6	Cost plus margin
Purchases of machinery and equipment	12.9	6.9	Cost plus margin
Repair expenses	2.7	3.7	Cost plus margin
Other expenses	2.1	2.1	Cost plus margin
Technical assistance fee expenses	3.2	1.9	In the year 2010, USD 50,000 per annum 2011, USD 100,000 per annum
Trademark usage fee expenses	5.8	5.0	0.5% of the selling prices of the products
Technician fee expenses	0.1	-	Criteria as per mutually agree price
Tread pattern right	1.4	-	Initial fee at USD 15,000 and annual fee USD 30,000
<u>Transactions with related parties</u>			
Sales of goods	309.1	403.1	Please see detail below (b)
Sales of raw materials	0.7	-	Cost plus margin
Other income	0.4	0.3	Cost plus margin
Purchases of raw materials	8.2	6.6	Cost plus margin
Purchases of machinery and equipment	3.9	1.7	Cost plus margin
Repair expenses	0.9	-	Cost plus margin
Purchase of goods	33.7	-	Cost plus margin
Other expenses	0.1	2.3	Cost plus margin
Technical assistance fee expenses	3.1	3.1	0.4% of the selling prices of the products
Technician fee expenses	-	0.7	JPY 2 Million per year
Trademark usage fee expenses	5.7	5.5	1.5-3% of the selling prices of the

Sales to Parent Company and related parties are summarized, below.

- a) Sales of goods to the parent company for the year ended December 31, 2011, has amounting Baht 12.67 million, including the mutually agreed price, which received gross margin.

b)

b)	Million Baht			
	Consolidated and Separate			
	For the year ended December 31, 2011			
Sold to	SRI GROUP	Hwa Fong		
	(b.3)	Rubber Group	Total	
Selling price at cost plus margin	209.41	40.59	250.00	Please see detail below (b.1)
Selling price at mutually agreed	59.74	-	59.74	Please see detail below (b.2)
	269.15	40.59	309.74	

b.1) Sales of goods to two overseas related parties for the year ended December 31, 2011, amounting Baht 250.00 million, made at a mutually agreed price, which received gross margin on which the sales ratio is 77.54%, (compared to total sales to parent company and related parties). Major products sold were not the same as products sold to unrelated parties.

b.2) Sales of goods to one overseas related party for the year ended December 31, 2011 amounting Baht 59.73 million, made at a mutually agreed price, shown net gross loss on which the sales ratio is 18.53%, (compared to total sales to parent company and related parties), Major products sold were not the same as products sold to unrelated parties.

b.3) Sales to Sumitomo Rubber group for the year ended December 31, 2011 incurred gross profit at 12.64% of total sale.

b.4) There is gross margin for total sales to parent company and related parties

Credit terms granted to the parent company and related parties ranged from 30 to 90 days in the ordinary course of business.

As at December 31, 2011, there is no long-term contract or agreement whereby selling prices are agreed in advance.

The balances of the accounts as at December 31, 2011 and 2010 between the Company and those related parties are as follows:

		Baht			
		Consolidated		Separate	
		As at	As at	As at	As at
	Relationship	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<u>Trade accounts receivable - related parties</u>					
Hwa Fong Rubber Industrial Company Limited	Parent company	4,011,660	1,437,808	4,011,660	1,437,808
Hwa Fong Rubber (USA) Inc.**	Common shareholder	-	1,548,144	-	1,548,144
Hwa Fong Rubber (Hong Kong) Inc.**	Common shareholder	12,434,640	2,296,640	12,434,640	2,296,640
Sumitomo Rubber Industries Limited *	The parent company's shareholder	18,140,362	20,004,391	18,140,362	20,004,391
		<u>34,586,662</u>	<u>25,286,983</u>	<u>34,586,662</u>	<u>25,286,983</u>
<u>Other receivable – from related parties</u>					
Hwa Fong Rubber Industrial Company Limited	Parent company	-	47,837	-	47,837
		<u>-</u>	<u>47,837</u>	<u>-</u>	<u>47,837</u>
<u>Trade accounts payable - related parties</u>					
Hwa Fong Rubber Industrial Company Limited	Parent company	2,343,932	1,139,582	2,343,932	1,139,582
Hwa Fong Rubber (China) Company Limited	Common shareholder	382,858	249,339	382,858	249,339
Sumitomo Rubber Industries Limited	The parent company's shareholder	1,338,835	435,326	1,338,835	435,326
		<u>4,065,625</u>	<u>1,824,247</u>	<u>4,065,625</u>	<u>1,824,247</u>
<u>Other payable – related parties</u>					
Hwa Fong Rubber Industrial Company Limited	Parent company	9,466,760	4,835,442	9,466,760	4,835,442
Hwa Fong Rubber (China) Company Limited	Common shareholder	73,754	1,133,930	73,754	1,133,930
Sumitomo Rubber Industries Limited	The parent company's shareholder	4,008,896	3,829,407	4,008,896	3,829,407
		<u>13,549,410</u>	<u>9,798,779</u>	<u>13,549,410</u>	<u>9,798,779</u>

* presented as SRI GROUP

** presented as HWA FONG RUBBER GROUP

Directors and management's remuneration

For the year ended December 31, 2011 directors and managements remuneration consists of salaries, bonuses, post employee benefits and meeting allowances to its directors and management totaling Baht 8.88 million (For the year ended December 31, 2010: Baht 7.67 million).

8. CASH AND CASH EQUIVALENTS

As at December 31, 2011 and December 31, 2010, cash and cash equivalents consist of:

	Baht			
	Consolidated		Separate	
	As at	As at	As at	As at
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash	330,760	374,092	325,360	367,492
Saving deposit accounts	162,880,524	201,433,275	147,470,714	186,655,907
Current deposit accounts	1,134,439	663,859	1,134,439	663,859
Short-term investments	75,000,000	70,000,000	40,000,000	35,000,000
Total	239,345,723	272,471,226	188,930,513	222,687,258

As at December 31, 2011, the Company and the subsidiary has the short-term investments represent Bill of exchange with local branch of a foreign bank which will be due during January 4, 2012 and January 26, 2012 and bear interest at rate of 3.00% p.a..

9. TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLE - NET

The outstanding balances of trade accounts receivable as at December 31, 2011 and 2010 are aged, based on due date, as follows :-

	Baht			
	Consolidated		Separate	
	As at December 31, 2011	As at December 31, 2010	As at December 31, 2011	As at December 31, 2010
<u>Unrelated parties - net</u>				
Not yet due	188,689,446	149,435,891	188,689,446	149,435,891
Past due receivables				
Less than 3 months	55,538,938	42,714,871	55,538,938	42,714,871
3 - 6 months	58,759	2,118,644	58,759	2,118,644
More than 6 - 12 months	76,155	676,016	76,155	676,016
More than 12 months	276,544	276,544	276,544	276,544
Total	244,639,842	195,221,966	244,639,842	195,221,966
<u>Less</u> Allowance for doubtful accounts	(300,000)	(300,000)	(300,000)	(300,000)
Net	<u>244,339,842</u>	<u>194,921,966</u>	<u>244,339,842</u>	<u>194,921,966</u>
<u>Related parties (note 7)</u>				
Not yet due	32,816,723	23,888,064	32,816,723	23,888,064
Past due receivables				
Less than 3 months	1,769,939	1,398,919	1,769,939	1,398,919
3 - 6 months	-	-	-	-
More than 6 - 12 months	-	-	-	-
More than 12 months	-	-	-	-
Total	<u>34,586,662</u>	<u>25,286,983</u>	<u>34,586,662</u>	<u>25,286,983</u>
<u>Other receivable (note 7)</u>	<u>-</u>	<u>47,837</u>	<u>-</u>	<u>47,837</u>
Total	<u>278,926,504</u>	<u>220,256,786</u>	<u>278,926,504</u>	<u>220,256,786</u>

10. INVENTORIES – NET

As at December 31, 2011 and 2010, inventories - net consist of:

	Baht			
	Consolidated		Separate	
	As at December 31, 2011	As at December 31, 2010	As at December 31, 2011	As at December 31, 2010
Finished goods	207,354,947	158,928,168	207,354,947	158,928,168
Work in process	46,999,363	43,571,797	46,999,363	43,571,797
Raw materials	204,231,617	206,392,299	204,231,617	206,392,299
Spare parts and supplies	37,513,463	35,964,417	37,513,463	35,964,417
Merchandise goods	18,839,332	665,094	18,839,332	665,094
Inventories in transit	44,383,851	31,842,016	44,383,851	31,842,016
Total	559,322,573	477,363,791	559,322,573	477,363,791
<u>Less</u> Allowance for diminution				
in value of inventories	(36,500,000)	(30,000,000)	(36,500,000)	(30,000,000)
Net	522,822,573	447,363,791	522,822,573	447,363,791

Allowance for diminution in value of inventories is changed during the period as follows:-

	Baht			
	Consolidated		Separate	
	As at December 31, 2011	As at December 31, 2010	As at December 31, 2011	As at December 31, 2010
Beginning balance	30,000,000	38,000,000	30,000,000	38,000,000
Increase	6,500,000	746,022	6,500,000	746,022
Decrease	-	(8,746,022)	-	(8,746,022)
Ending balance	36,500,000	30,000,000	36,500,000	30,000,000

11. OTHER CURRENT ASSET

As at December 31, 2011 and 2010, other current asset consists of:

	Baht			
	Consolidated		Separate	
	As at	As at	As at	As at
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Input tax refundable	1,823,955	1,848,539	1,821,847	1,846,431
Other current assets	3,648,228	6,251,203	3,610,271	6,218,951
Import duty on raw materials refundable	13,537,490	34,253,520	13,537,490	34,253,520
<u>Less</u> Allowance for estimated unclaimed				
import duty	(1,267,304)	(11,004,787)	(1,267,304)	(11,004,787)
Total	<u>17,742,369</u>	<u>31,348,475</u>	<u>17,702,304</u>	<u>31,314,115</u>

Allowance for estimated unclaimed import duty is changed during the year as follows:-

	Baht			
	Consolidated		Separate	
	As at	As at	As at	As at
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Beginning balance	11,004,787	18,175,907	11,004,787	18,175,907
Increase	-	2,411,995	-	2,411,995
Decrease	(9,737,483)	(9,583,115)	(9,737,483)	(9,583,115)
Ending balance	<u>1,267,304</u>	<u>11,004,787</u>	<u>1,267,304</u>	<u>11,004,787</u>

12. INVESTMENTS IN SUBSIDIARY

	Baht			
	Separate			
	Percentage of Investment		At cost	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<u>Investments in Subsidiary</u>				
H F T Holding Co., Ltd.	99.99	99.99	50,000,000	50,000,000
Investments in subsidiary – net			<u>50,000,000</u>	<u>50,000,000</u>

On April 22, 2010, the Company's Board of Director No. 2/2010 passed to investment in H F T Holding Company Limited. (Common share 500,000 shares, at par value Baht 100 per share, totaling Baht 50,000,000). The Subsidiary registered the change in its shareholder with the Ministry of Commerce on May 4, 2010, the Company has 99.99% ownership in the subsidiary upon the completion of the transaction

13. PROPERTY, PLANT AND EQUIPMENT – NET

As at December 31, 2011, Property, Plant and Equipment consist of:

	Baht						
	Consolidated and Separate						
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Machinery under installation	Total
<u>Cost</u>							
January 1, 2011	112,151,657	327,209,125	1,583,138,728	14,257,131	54,173,309	5,619,774	2,096,549,724
Additions	-	742,300	5,268,107	1,001,355	293,621	28,725,741	36,031,124
Disposals/written off	-	-	(5,081,168)	(224,948)	(1,103,790)	(2,605,349)	(9,015,255)
Transfers in (out)	-	138,000	21,585,248	219,100	-	(21,942,348)	-
December 31, 2011	112,151,657	328,089,425	1,604,910,915	15,252,638	53,363,140	9,797,818	2,123,565,593
<u>Accumulated depreciation</u>							
January 1, 2011	-	115,989,620	1,164,250,981	11,413,446	38,153,499	-	1,329,807,546
Depreciation	-	10,282,485	88,830,374	909,912	3,997,370	-	104,020,141
Disposals/written off	-	-	(4,821,418)	(224,888)	(1,103,789)	-	(6,150,095)
December 31, 2011	-	126,272,105	1,248,259,937	12,098,470	41,047,080	-	1,427,677,592
<u>Net book value</u>							
December 31, 2010	112,151,657	211,219,505	418,887,747	2,843,685	16,019,810	5,619,774	766,742,178
December 31, 2011	112,151,657	201,817,320	356,650,978	3,154,168	12,316,060	9,797,818	695,888,001

As at December 31, 2010, Property, Plant and Equipment Consists of:

	Baht						
	Consolidated and Separate						
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Machinery under installation	Total
<u>Cost</u>							
January 1, 2010	112,151,657	325,378,525	1,556,044,845	13,184,323	47,564,358	4,015,084	2,058,338,792
Additions	-	1,830,600	8,263,676	1,223,058	7,075,915	26,484,756	44,878,005
Disposals/written off	-	-	(5,227,227)	(205,785)	(466,964)	(767,097)	(6,667,073)
Transfers in (out)	-	-	24,057,434	55,535	-	(24,112,969)	-
December 31, 2010	112,151,657	327,209,125	1,583,138,728	14,257,131	54,173,309	5,619,774	2,096,549,724
<u>Accumulated depreciation</u>							
January 1, 2010	-	104,642,179	1,071,955,219	10,725,965	34,690,258	-	1,222,013,621
Depreciation	-	11,347,441	97,422,325	892,499	3,930,204	-	113,592,469
Disposals/written off	-	-	(5,126,563)	(205,018)	(466,963)	-	(5,798,544)
December 31, 2010	-	115,989,620	1,164,250,981	11,413,446	38,153,499	-	1,329,807,546
<u>Net book value</u>							
December 31, 2009	112,151,657	220,736,346	484,089,626	2,458,358	12,874,100	4,015,084	836,325,171
December 31, 2010	112,151,657	211,219,505	418,887,747	2,843,685	16,019,810	5,619,774	766,742,178

Depreciation for the year ended December 31

2011 (Baht 100.5 million included in manufacturing cost, and the balance in selling and administrative expenses)	104,020,141
2010 (Baht 110.3 million included in manufacturing cost, and the balance in selling and administrative expenses)	113,592,469

As at December 31, 2011, the consolidated and separate financial statements, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 710.48 million (As at December 31, 2010, the separate financial statements: Baht 631.88 million).

The consolidated and separate financial statements have mortgaged certain land with structures thereon with a total net book value as at December 31, 2011, of Baht 99.04 million (As at December 31, 2010, the consolidated and separate financial statements: Baht 103.72 million) to secure credit facilities granted by one financial institution.

14. Short-term loan from financial institutions

As at December 31, 2010, the Company has short term loans from a financial institution in Thailand in amount of Baht 19.69 million (USD 0.65 million). The short term loan are loan in promissory notes which will have maturity date on January 5, 2011 and bear interest at rate of 1.31% p.a.

15. TRADE ACCOUNTS PAYABLE AND OTHER PAYABLE

		Baht			
		Consolidated		Separate	
		As at	As at	As at	As at
		December	December	December	December
	Note	31, 2011	31, 2010	31, 2011	31, 2010
Trade accounts payable unrelated parties		212,847,252	156,445,424	212,847,252	156,445,424
Trade accounts payable related parties	7	4,065,625	1,824,247	4,065,625	1,824,247
Other payable - related parties	7	13,549,410	9,798,779	13,549,410	9,798,779
Total		<u>230,462,287</u>	<u>168,068,450</u>	<u>230,462,287</u>	<u>168,068,450</u>

16. LONG-TERM LOANS

As at December 31, 2011 and 2010, long-term loans represent the loan facilities obtained from a bank as detailed belows:-

		Baht			
		Consolidated		Separate	
		As at	As at	As at	As at
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Long-term loans		70,000,000	170,000,000	70,000,000	170,000,000
Less: Current portion of long-term loans		<u>(70,000,000)</u>	<u>(100,000,000)</u>	<u>(70,000,000)</u>	<u>(100,000,000)</u>
Long-term loans - net of current portion		<u>-</u>	<u>70,000,000</u>	<u>-</u>	<u>70,000,000</u>

The consolidated and separate financial statements, baht loan facility of Baht 400 million, carrying interest at BKIBOR+0.8% per annum. Repayable in semi-annual installments commencing 3.5 years from the date of the first drawdown and the final installment due in 2012.

The consolidated and separate financial statements, the loans are secured by the mortgage of the Company's land with structures thereon with a total net book value as at December 31, 2011 of Baht 99.04 million (As at December 31, 2010, the consolidated and separate financial statements: Baht 103.72 million). (See notes 13). This collateral is secured for all the credit facility lines obtained from the bank at Baht 400 million.

17. OTHER CURRENT LIABILITIES

As at December 31, 2011 and 2010, other current liabilities consist of:

	Baht			
	Consolidated		Separate	
	As at December 31, 2011	As at December 31, 2010	As at December 31, 2011	As at December 31, 2010
Accrued Expenses	58,399,223	53,866,351	58,379,223	53,826,351
Income tax payable	27,865,513	17,443,874	27,814,907	17,443,874
Deposit	9,019,523	4,192,538	9,019,523	4,192,538
Other current liabilities	2,336,107	2,275,215	2,335,607	2,274,715
Total	<u>97,620,366</u>	<u>77,777,978</u>	<u>97,549,260</u>	<u>77,737,478</u>

18. EMPLOYEE BENEFIT OBLIGATIONS

The Company adopted TAS 19 Employee Benefits with effect from January 1, 2011 and the effect on the financial statements is disclosed in note 5.

The Company operates a post employment benefit based on the requirement of Thai Labor Protection Act B.E. 2541 to provide post employee benefit to employees based on pensionable remuneration and length of service. An independent actuary carried out an evaluation of the Company's obligations for employees' benefits using the projected unit credit method. The Company has provided the provision for employees' benefits as following.

Movement in the present value of the defined benefit obligations:

	Baht	
	Consolidated	Separate
Defined benefit obligations at January 1,2011	7,067,692	7,067,692
Current service costs and interest	2,252,878	2,252,878
Benefits paid by the plan	-	-
Defined benefit obligations at December 31, 2011	9,320,570	9,320,570

Expense recognized in profit or loss:

	Baht	
	Consolidated	Separate
For the year ended December 31, 2011		
Current service costs	1,974,422	1,974,422
Interest on obligation	278,456	278,456
Total	2,252,878	2,252,878

Principal actuarial assumptions

	Consolidated / Separate
	As at December 31, 2011
Discount rate (%)	3.94
Future salary increase (%)	5
Retirement age (year old)	60
Employee turnover rate (%)	0%, 16-45%

19. LEGAL RESERVE

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

20. TRASURY SHARES/TRASURY SHARE RESERVE

TRASURY SHARES

On April 22, 2010, the Company's Board of Director No. 2/2010 passed a resolution to repurchase 59,259,087 shares or 9% of the Company's paid-up capital (As at March 31, 2010 the Company has share capital issued and fully paid 658,434,300 shares.), the maximum of repurchase amount is not over than Baht 150 million. The repurchase is being made for financial management purposes, since the Company has excess liquidity, and it is to be made through the Stock Exchange of Thailand. The repurchase period shall start from May 11, 2010 to November 10, 2010, and the resale period for the repurchased shares runs for 3 years, starting from June 3, 2011 to November 10, 2013.

Movements in the treasury shares account during the year ended December 31, 2011 are summarized below:

	Consolidated		Separate	
	(Thousand shares)	(Thousand Baht)	(Thousand shares)	(Thousand Baht)
Balance as at January 1, 2011	40,930	100,090	40,930	100,090
Resale during the year	-	-	-	-
Balance as at December 31, 2011	40,930	100,090	40,930	100,090

As at December 31, 2011, the market price of treasury shares totaling Bath 78.18 million (the separate financial statements: Bath 78.18 million) loss on disposal of treasury shares (if any) will be recognized to the retained earning when the Company's sales.

TREASURY SHARE RESERVE

Movements in the treasury share reserve account during the year ended December 31, 2011 are summarised below:

	Baht	
	Consolidated	Separate
Balance as at January 1, 2011	100,090,114	100,090,114
Reserved increase during the year	-	-
Reserved decrease during the year	-	-
Balance as at December 31, 2011	100,090,114	100,090,114

21. OTHER INCOME

Other income for the years ended December 31, 2011 and 2010 are summarised below:

	Baht			
	For the year ended December 31,			
	Consolidated		Separate	
	2011	2010	2011	2010
Reversal of Allowance for diminution in value of inventories	-	8,000,000	-	8,000,000
Reversal of Allowance for estimated unclaimed import duty	-	7,171,120	-	7,171,120
Gain (Loss) on disposal of equipment	781,968	626,231	781,968	626,231
Interest income	2,472,501	1,734,874	1,592,173	1,497,599
Gain on exchange rate	13,571,929	-	13,571,929	-
Others	4,898,158	5,797,935	4,898,158	5,877,935
Total	<u>21,724,556</u>	<u>23,330,160</u>	<u>20,844,228</u>	<u>23,172,885</u>

22. CORPORATE INCOME TAX

Corporate income tax is calculated on the earnings of the Company after adding back certain expenses and provisions for expenses not yet currently allowable for tax computation purposes and after deducting tax loss brought forward from prior years.

23. EXPENSES CLASSIFIED BY NATURE OF EXPENSES

Significant expenses by nature are as follows:

	Baht			
	For the year ended December 31,			
	Consolidated		Separate	
	2011	2010	2011	2010
Salary and wages and other employee benefits	262,859,973	257,720,126	262,859,973	257,720,126
Depreciation and amortization	104,020,141	113,592,469	104,020,141	113,592,469
Change in inventories and work in process	(45,354,345)	(57,064,203)	(45,354,345)	(57,064,203)
Raw materials and supplies used	1,469,074,106	1,306,994,915	1,469,074,106	1,306,994,915
Selling expenses	116,536,864	127,404,169	116,536,864	127,404,169

24. BASIC EARNINGS PER SHARE

Basic earning per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares and shares held in treasury in issue during the year.

Basic earnings per share for the year ended December 31, 2011 and 2010 are calculated as follows:

Consolidated					
For the year ended December 31,					
Net profit		Weighted average number of ordinary shares		Earnings per share	
2011	2010	2011	2010	2011	2010
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent company	125,847	119,173	658,434	658,434	
<u>Less:</u> Treasury shares	-	-	(40,930)	(18,442)	
Net profit	125,847	119,173	617,504	639,992	0.20 0.19

Separate					
For the year ended December 31,					
Net profit		Weighted average number of ordinary shares		Earnings per share	
2011	2010	2011	2010	2011	2010
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent company	125,240	119,396	658,434	658,434	
<u>Less:</u> Treasury shares	-	-	(40,930)	(18,442)	
Net profit	125,240	119,396	617,504	639,992	0.20 0.19

25. SEGMENT INFORMATION

The Company's operations involve a single industry segment i.e. manufacture and distribution of tire and tube of bicycle, motorcycle and small logistics vehicles. As a result, all of the revenues, operating income (loss) and assets reflected in these financial statements pertain to the aforementioned industry segment.

The Company's operation reported by geographic area for the year ended December 31, 2011 and 2010, are as follows:

	Baht	
	Consolidated and Separate	
	For the year ended December 31,	
	2011	2010
Revenue from sales - Local	948,671,414	844,151,715
Revenue from sales - Foreign		
Asia	500,747,731	523,733,843
Europe	593,389,337	494,998,521
American	123,764,687	94,637,038
Other	51,702,893	61,811,052
Total	2,218,276,062	2,019,332,169

26. DIVIDEND PAYMENT

At the year 2011 ordinary shareholders meeting held on April 28, 2011 the shareholders resolved to appropriate the net profit from the operation of non-investment promotional for shareholders as dividend in amount of Bath 74,100,540 (Common shares 617,504,500 shares, at value Baht 0.12 per share, at part value Bath 1 per shares),(The number of share repurchased 40,929,800 shares, the Company does not have the right of dividend). Whereby presently the dividend has already been paid to the shareholders on May 20, 2011.

At the 2010 ordinary shareholders meeting held on April 22, 2010 the shareholders resolved to appropriate the net profit from the operation for shareholders as dividend in amount of Baht 52,674,744 (Common shares 658,434,300 shares, at value Baht 0.08 per share, at par value Baht 1 per share).Whereby presently the dividend has already been paid to the shareholders on May 20, 2010.

27. PROVIDENT FUND

The consolidated and separate financial statements, the Company and its employees have participated in the registered Thanakarn Provident Fund under the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 2-4 percent of basic salary. The fund, which is managed by BT Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. For the year ended December 31, 2011, the Company contributed approximately Baht 0.53 million (For the year ended December 31, 2010: Baht 0.54 million) to the fund.

28. COMMITMENTS AND CONTINGENT LIABILITIES

28.1 Commitments

- (a) As at December 31, 2011, the Company had commitments of approximately Baht 26.77 million and USD 3.02 million, relating to purchases of raw materials (As at December 31, 2010: Baht 30.93 million and USD 3.30 million).
- (b) As at December 31, 2011, the Company had commitments totaling approximately Baht 1.05 million under service contracts (As at December 31, 2010: Baht 1.28 million).

28.2 Technical assistance and trademarks license agreements

- (a) The Company entered into an agreement with its parent company to obtain technical assistance, etc., whereby the Company is committed to pay a fee of USD 100,000 per annum. The term of the agreement is 3 years during January 1, 2011 to December 31, 2013 and this automatically extended for terms of 1 year each.
- (b) The Company entered into an agreement with its parent company to obtain right to use its trademarks to manufacture certain products, whereby the Company has to pay a fee equal to 0.5% of the selling prices of the products sold. The term of the agreement is 3 years (being terminated on December 31, 2010) and this automatically extended for terms of 1 year each. Presently, the Company has renewed one more year as specified in the contract.
- (c) Under the agreement between the parent company and Sumitomo Rubber Industries Limited (SRI), the Company had commitments to pay fee and technician fee to the related company for the manufacture of certain products as follows:
 - Technical assistance fee (0.4% of the net selling prices of the products sold). The term of the agreement is 1 year (being terminated on June 30, 2011) and this automatically extended for terms of 1 year each. Presently, the Company has renewed one more year as specified in the contract.

- Trademark usage fee (1.5 - 3% of the selling prices of the products sold). The term of the agreement is 3 years (being terminated on June 30, 2012) and this automatically extended for terms of 3 years each.

- (d) The Company entered into an agreement with its parent company to obtain tread pattern right for production and selling of certain products, whereby the Company has to pay initial fee at amount of USD 15,000 in 2011 and annual fee at amount of USD 30,000 totaling USD 165,000. The term of agreement is 5 years (being terminated on December 31, 2015).

28.3 Guarantees

As at December 31, 2011, there were outstanding bank guarantees of approximately Baht 27.69 million (December 31, 2010 : Baht 28.11 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee for purchase natural gas agreement amounting to Baht 10.00 million and Baht 17.69 million to guarantee electricity use, among others.

29. FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Company financial and its subsidiary instruments, as defined under Thai Accounting Standard No. 107 (Formerly No. 48) "Financial Instruments: Presentations", principally comprise cash and cash equivalents, temporary investments, trade accounts receivable, receivable related parties, trade accounts payable, payable related parties, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed in described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiary consider itself being exposed to low risk from changes in interest rate because the Company and its subsidiary have most of the financial assets and liabilities carrying floating interest rate which will fluctuate in line with the market interest rates.

Foreign currency risk

The Company and its subsidiary exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currencies as at December 31, 2011 are summarized below.

Foreign currency	Consolidated and Separate	
	Financial assets (Million)	Financial liabilities (Million)
US dollar	5.24	3.63
Euro	1.67	0.02

Foreign exchange sold contract outstanding at December 31, 2011 are summarized below.

Foreign currency	Sold amount	Contractual exchange rate
	(Million)	(Baht per 1 foreign currency unit)
		Selling rate
US dollar	1.0	31.58

29.2 Fair values of financial instruments

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

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

30. CAPITAL MANAGEMENT

The primary objectives of the Company and its subsidiary capital management are to maintain their abilities to continue as a going concern and to maintain an appropriate capital structure.

As at December 31, 2011, debt to equity ratio in the consolidated and separate financial statements is 0.30 :1 and 0.30 :1 respectively.

31. RECLASSIFICATION

Certain amounts in the financial statements for the years ended December 31, 2010 have been reclassified to conform to the current year, with no effect on net income or shareholders' equity previously reported.

32. SUBSEQUENT EVENT

At the Board of Directors' Meeting hold on February 23, 2012, the directors resolved to propose the dividend payment in at value Baht 0.06 per share. The dividend payment shall be approved by its shareholders at the ordinary shareholders' meeting will be held on April 26, 2012.

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Management on February 23, 2012.



สวช ทน แท้ถึงใจ

หัตถกรรมของรถจักรยานยนต์
ของ คุณภาพจิกดีไชนส์เพื่อรถมีสไตร์
ก้าวให้ทัน ไม่ตกยุคแน่กับของ คุณภาพสูง
ที่ผ่านการรับรองจากขอตลาดที่มากกว่า
1,000,000 เส้น

Be Smart ... Be " Quick " Tire ...
Safety - Intrend
* New Innovation
* Designed Quality
* High Quality Intrend

 **DURO**

บริษัท ฮั่วฟง รับเบอร์ (ไทยแลนด์) จำกัด (มหาชน)

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