

ANNUAL REPORT

2017



www.duro.co.th

HFT

บริษัท อีวฟงรับเบอร์ (ไทยแลนด์) จำกัด (มหาชน)
HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED

Content

Policy and Business Overview	1
Message from the Board of Directors	3
Report of Audit Committee	4
Business Characteristics	6
Risk Factors and Risk Management	21
General Information	25
Information Securities and Shareholder	26
Dividend Policy	27
Management Structure	28
Corporate Governance	42
Corporate Social Responsibilities: CSR	51
Internal control and risk management	55
Connected Transactions	57
Financial Highlight	62
Management Discussion and Analysis: MD&A	64
Independent Auditor's Report	66
Financial Statement	70

*** "Investors can learn more on the issuing company's Annual Registration Statement (Form 56-1) of the companies listed. www.sec.or.th or the company's website www.duro.co.th"

Policy and Business Overview

Hwa Fong Rubber (Thailand) Public Company Limited ("HFT") was established in 1987 currently registered and paid up share capital of 658,434,300 Baht and 658,434,300 Baht respectively. HFT's principal business is to manufacture and distribute tires and tubes for bicycles, motorcycles, small logistic vehicles such as trolleys, forklift, golf cart, and all-terrain vehicles under more than 31 years with recognizable worldwide trademark named "DURO", "Q-UICK", and "DUNLOP" possessed by 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 23 years. The HFR's nature of business is to manufacturing bicycle, motorcycle, and industrial vehicle tires and tubes. Moreover, HFT was also certified to the ISO 9001-2008 for its internationally excellent product quality.

HFT's sales portion is classified by the local and international sales in the percentage of 37.23% and 62.77% respectively. In domestic sales, HFT distributes its products to the leading bicycle's Original Equipment Manufacturer (OEM) such as LA BICYCLE, TURBO BICYCLE under the brand name "DURO" and motorcycle manufacturers i.e. HONDA, KAWASAKI including genuine parts to be distributed amongst licensed distributors under "DUNLOP" brand. In addition, HFT began selling tires under "DURO" to the golf cart manufacturers (OEM) for operating the golf cart with YAMAHA. On top of OEM business, HFT has also concentrated under the brand name "DUNLOP", "DURO", "Q-UICK" and PREMIUM HFT in distribution on the Replacement Equipment Market (REP) business via Borneo Technical (Thailand) Co., Ltd. and P.V. Motor Co., Ltd. In the international sales, HFT distribute products via the network of HFT, HFK, HFR and HFA, which are among group companies to market in USA, Europe, Asia, Africa, Australia and Middle East.

For overall performance, HFT reported its revenue from sales up to 2,535 Million Baht in 2016 and 2,731 Million Baht in 2017 increase to 196 Million Baht or 7.73%, In recent years, the company has sale increase in bicycle tires in the amount of 102.81 Million Baht or 12.55%, and motorcycle tires in the amount of 91.13 Million Baht or 6.16% due to the increasing demand in both domestic and international consumption in line with the expansion in global economy. Also, HFT always supports sale marketing and promotion with customers. As a result, our brands are widely recognized and able to reach more target customers.

Meanwhile the cost of production was increase 24.38% due to cost of raw materials and labors in 2017. In that year, the company net profit was 255.65 Million Baht with earning per share 0.39 Baht, decreasing 82.11 Million Baht or 24.31% from year 2016 that had net profit 337.76 Million Baht.

Vision

"Committed to leading commercial the products tires - tubes in quality across all regions of the world."

Objective

Operations are realized by all stakeholders of the Company. More than just creating profit, including a focus on shareholders, customers, partners, employees, society and community.

Business Goals

"To be a leader in the manufacturing and distribution of tires - tubes throughout the ASEAN region." under 9 policies as follows.

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 to gain a larger market share.
2. To continuously improve product quality for a 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 increase efficiency in continuous production, Including to planning increase capacity according to market demand trends from the forward looking. Competitive in both production and cost to be delivered according to scheduled time for can support to customer.
4. To maintain HFT's reputation in our main market under the support from our parent company with the trademark DURO and to be manufacturing 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 the 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 a 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 acceptably in 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), MS (Malaysia) E-MARK and REACH and ROHS (EU Countries).

Message from the Board of Directors

In 2017, global economic and political factors have been changed in positive directions, which increase the demand for domestic and overseas tire markets accordingly; however, the exchange rate of foreign currency remains fluctuated. From aforementioned situations in year 2017, company sales and profit are still unable to reach the target of sales amount as we expected. Under the leadership of management team, including all employees, the company and its subsidiaries gain sales revenue of Baht 2,731 million compared to 2016, representing an increase of 7.73% from the sales of motorcycle and bicycle tires and tubes. However, the company cost of sales increased by 24.24% comparing to 2016. The main reason was the rising of raw material price such as natural rubber, synthetic rubber, and chemicals during the second quarter to the third quarter that increase along with crude oil price, resulting in declining in company's net profit 24.31%, and had a net profit of 255.65 Million Baht with earnings per share as 0.39 Baht.

Company has established another subsidiary company named PT Hwa Fong Rubber Indonesia in order to expand tube and tire market for motorcycles in Indonesia. However, an additional market surveys are needed to set target customers that can support our production capacity. At present, the company has to hold investment in Indonesia due to the third factory construction in Thailand, which received Investment Promotion from the Board of Investment of Thailand in order to accommodate long-term orders from both domestic and foreign customers, especially bicycle tires. It will take about 2 years to complete the factory construction, and the company will be exempted from the corporate income taxes for 8 years with other benefits as Investment Promotion project provided.

In 2018, HFT is committed to maintain domestic market by selling products through merchants and dealers. Also, dealing with marketing strategies to promote product images, focusing on product quality that meets international standard under well-known trademarks. For the export sales, the company has expanding customer bases in ASEAN region, Europe, Africa and Middle East.

Hereby, company is sincerely thankful for all shareholders, government agency, and financial institutes, and hopeful for continually supporting company in the future.

Lastly, wish shareholders the best and good health.



Mrs. Su, Ming-Fen

Chairman of Board of Directors

Report of the audit committee

Dear HFT's Shareholders

The audit committee of Hwa Fong Rubber (Thailand) Public Company Limited consists of three independent directors and the name lists are as followings:

- | | |
|------------------------------|-----------------------------|
| 1. Mr. Liao, Chih-Yu | Chairman of Audit Committee |
| 2. Miss Liang, Su-Jung | Audit Committee |
| 3. Mr. Boonyarit Ngamwongmas | Audit Committee |

The audit committee carried out its Board-assigned duties while adhering to guidelines for the Audit Committee by focusing on review of financial reports, review of the effectiveness of the internal control system, review of risk management system, appointment of an auditor. The Audit Committee held 4 meetings with the managements, which can be summarized as below.

1. Review of financial reports. The audit committee reviewed quarter and annual financial statements year 2017 of Hwa Fong Rubber (Thailand) Public Company Limited to assure that the financial reports have been properly prepared and complied with certified accounting principles. In this matter, the audit committee held independent meetings with the auditors without the management team in order to inquire and discuss on important issues regarding preparation and auditing of financial statements for the year 2017. The audit committee commented that the financial statements have been prepared in a manner consistent with the generally accepted accounting principles, so as the auditor's opinion.

2. Review of internal audit effectiveness. The audit committee has reviewed audit plan together with performance report of internal audit department and auditor for the year 2017 by considering company operation, resource usage, property protection, prevention or reduction of damage, leakage, wastage, or corruption and legal actions. This includes issues that have been identified, recommendations, improvement plan and development plan of management team to ensure that company's internal audit control system is both adequate and effective for its business.

3. Review of risk management. Company's risk management principles are set to ensure that company has an appropriate and effective risk management process by meeting with company management team to follow up and monitor potential risk assessments and changing in business environment such as interest rate and exchange rate risks, risks in

market conditions, and operational risks. Also, the measures to prevent or reduce risks must be taken regularly in both short-term and long-term. The results showed that risk management is sufficiently effective in accordance with the company policies and strategies.

4. Appointment of the auditors. The Audit Committee considered the auditor of the Company for the year 2017 with the approval to KPMG Phoomchai Audit Limited to be the auditor of the Company and its subsidiaries. And proposed to the Board of Director and the Annual General Meeting of Shareholders to consider remuneration and appointment outsourced auditor named AMT Associates to be the accounting auditor of the Company and its subsidiaries of year 2018.



(Mr. Liao, Chih-Yu)

Chairman of the Audit Committee

Business Characteristics

Company Background

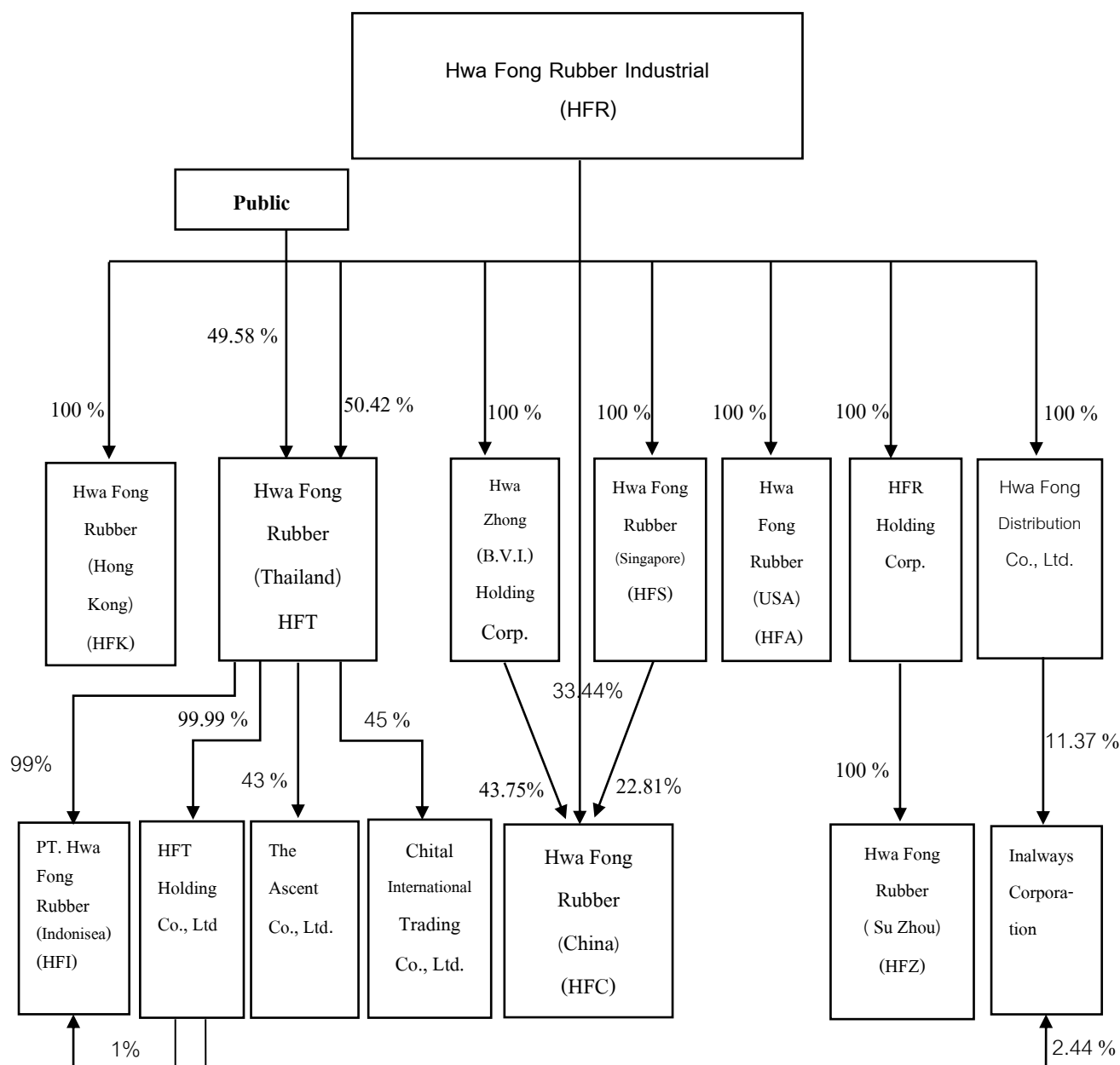
- 1989 - HFT was established on June 2, 1987 with initial registered and paid-up capital to Bt 300 million.
HFT is a wholly owned subsidiary of Hwa Fong Rubber Industries Co., Ltd. (Hereinafter called "HFR"), with 99.99% holding stake. Initially, the nature of business was to manufacture bicycle tire 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
- 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
- Certified Industrial Product Standards (TIS) Motorcycle Tire
- 2005 - Commenced to run the second factory's operation 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
- Obtained SNI (Standard National of Indonesia)
- 2007 - Registered Trademark "Q-UICK"
- 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
- HFT Holding was established registered capital up to 50,000,000 Baht with paid-up capital of 50,000,000 Baht
- 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)
- 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.
- 2012 - The company had sold of completely the re-purchasing share through Stocks Exchange of Thailand (as on January 15, 2013).
- 2013 - The company began importing machinery to expand production capacity by promotional certificate from the Board of Investment (BOI).

- 2014
- The Company has installation of machinery and ready for trial production in the 4th quarter of the project promoted by the Board of Investment (BOI).
 - The Company has increased its capital with HFT Holding Co., Ltd. from 50,000,000 Baht to be 100,000,000 baht, with paid-up capital of 100,000,000 Baht
 - The Company has a joint venture with The Ascent (Thailand) Co., Ltd, about 43% of the registered capital of 20 million baht, with paid-up capital of 50 percent.
 - The Company has a joint venture with Chital International Co., Ltd., about 45% of the registered capital of NT \$ 25,000,000, with fully paid-up capital.
- 2015
- The Company began manufacturing and selling tires of motorcycles, as had been allowed to expand capacity from the Board of Investment (BOI).
- 2016
- The Board of Directors approved the investment in Indonesia.
- 2017
- Purchased land in Indonesia to prepare for factory construction according to investment plan.
 - The Board of Directors approved land purchase for investment in the third factory requested investment promotion from the Board of Investment (BOI) to produce bicycle tires and tubes.

HFT has been established and expertise in the tire and tube business for the period of 31 years with the technology support from HFR, parent company incorporated in Taiwan founded more than 71 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 and the MS mark (Malaysian Standard) in 2010.

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 markets around the world, Europe, Middle East, Africa and America 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 to penetrate 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 Fong Rubber (Indonesia) - HFI is a joint venture with Hwa Fong Rubber (Thailand) Plc., This company was established on September 19th, 2016 as manufacturer and distributor of motorcycle tire and tube.

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.

Hwa Fong Distribution Co., Ltd. Business operation of clothes, electric appliances, vehicle tire, electronic appliances as wholesaler and retailer, also as 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.

Fong Jen Technology Co., Ltd. Business operation about Investment, trade, wholesale, sales and management, planning, technical and other services.

Inalways Corporation is a Computer manufacturing and sale of electronic parts assembly, import and export business.

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.

The Ascent (Thailand) Co., Ltd. is a joint venture with Hwa Fong Rubber (Thailand) Plc., This company was incorporated on April 1, 2014 for International trade or investment include selling Tire, Tube and vehicle equipment of all types. The order to sell in the local and export the product bicycle, Motorcycles and spare parts.

Chital International Trading Co., Ltd. is a joint venture with Hwa Fong Rubber (Thailand) Plc. This company was incorporated in Taiwan on October 13, 2014 for selling the bike. Motorcycles and Tires Including spare parts and accessories.

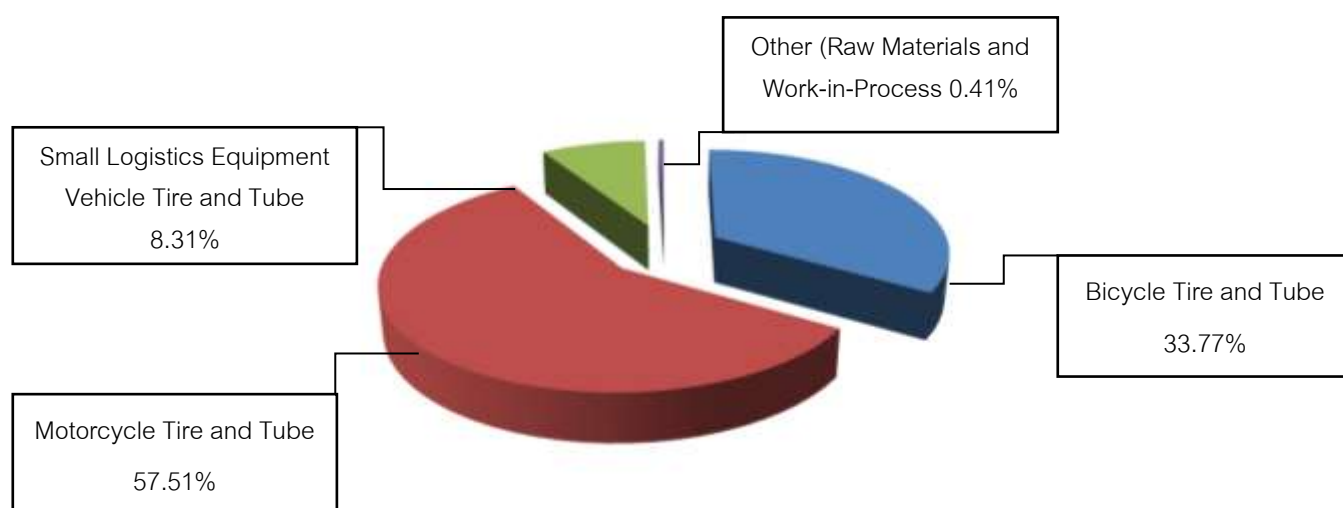
Revenue Structure

Value of Products categorized by the Product line in the year of 2015 - 2017 (THB Million)

Product	2017		2016		2015	
	(MB)	%	(MB)	%	(MB)	%
Domestic Sales						
1. Bicycle Tire and Tube	77.03	2.82	111.24	4.39	177.86	6.87
2. Motorcycle Tire and Tube	911.30	33.38	808.47	31.89	834.16	32.22
3. Small Logistics Equipment Vehicle Tire and Tube	17.73	0.65	17.46	0.69	13.41	0.52
4. Bike	-	-	0.37	0.01	2.42	0.09
5.Others (Raw Materials and Work-in-Process)	10.51	0.38	12.39	0.49	12.69	0.49
Subtotal Domestic Sales	1,016.57	37.23	949.93	37.47	1,040.54	40.19
International Sales						
1. Bicycle Tire and Tube	845.11	30.95	708.09	27.93	741.78	28.65
2. Motorcycle Tire and Tube	658.82	24.13	670.52	26.45	577.27	22.29
3. Small Logistics Equipment Vehicle Tire and Tube	209.28	7.67	204.25	8.06	228.61	8.83
4.Others (Raw Materials and Work-in-Process)	0.56	0.02	2.11	0.08	1.17	0.04
Subtotal International Sales	1,713.77	62.77	1,584.97	62.53	1,548.83	59.81
Total Revenue from Sales	2,730.34	100.00	2,534.90	100.00	2,589.37	100.00

Remark : Hwa Fong Rubber (Thailand) Plc. are operated for the sole.

Sales Proportion for the year 2017



Based on the figures above in 2017, we can observe that the major income structure comes from the international sales 62.77% and domestic sales 37.23%. Nonetheless, when compared to the revenue in 2016, the total revenues from sales generally increased 7.71% due to the rising in sales of bicycle and motorcycle tires and tubes. Most of revenue from export sales are mainly from bicycle tires and tubes. In contrary, revenue from domestic sales remains from motorcycle tires and tubes.

BUSINESS DESCRIPTION

Product Description

HFT mainly engages in the business of manufacturing bicycles, its tires and tubes, which categorized below:

- Normal bicycle tires such as Mountain bikes and wheel chair tires, etc.
- Motorcycle tires such as normal motorcycles, high-speed motorcycles, scooters, Motocross, etc.
- Small logistic vehicles i.e., trolleys, forklifts, tractors, agricultural vehicles, golf carts.
- All-terrain vehicles
- Mountain bikes and road bikes

Currently, HFT has received BOI privileges to produce motorcycle tires with a capacity of 3.6 million tires per year. The privilege allows exemption of corporate income tax for 8 years from the date of revenue receiving. Its condition is to construct factory in the industrial estates area.

Tire Products

Tires are the product range that generates the highest income for HFT, both in the domestic and overseas markets. In 2017, the company's revenue from sales of various types of tires accounted approximately for 76.57% of total sales revenue.

Tube Products

Comprise a wide range of product types and range in order to satisfy various different groups of customers. In 2017, the company's revenue from sales of inner tubes was approximately 23.02% of total revenue.

Raw Material & Semi-finished Products

In 2017 HFT generated the revenue from sales of raw materials and semi-finished products constituting to around 0.41% 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 the 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 that has been made between HFR, the parent company, which was effective 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 "DURO" trademark for local and international sale with terms and conditions that HFT must pay the fee up to 0.50% of its total sales under brand name "DURO" to HFR.

2) **Trade Pattern Right Agreement** HFT must pay an entrance fee to HFR who permitted HFT to have the rights for production and distribution of some product designs 15,000 US Dollar in 2011, and has been obliged to pay the annual fee 30,000 US Dollar each year, 165,000 US Dollar in total. This contract had 5 years validity with the expiry date on December 31, 2015. However, the contract has been renewed and will be valid until December 31, 2018. HFT is obligated to pay the annual fee in the amount of 35,000 US Dollar per year.

3) **Technical Cooperation Agreement** is the contract made between the parent company, HFR, and HFT for the technical cooperation to be effected since August 27, 2005 for 3 year validity (If there is no any party terminates the contract, it will be automatically renewed on a one-year basis). The essence of the contract referred to production technology from HFR researches such as factory layout, machines and equipment, production process, raw material ingredients, 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 100,000 US Dollar per year.

4) **The Trademark License Agreement** is a contract between Sumitomo Rubber Industries Ltd. and HFT's parent company, which covers HFR affiliates as well. It was effective since September 24, 2003. Sumitomo Rubber allowed HFT to use its trademark, which currently is "DUNLOP", for production and distribution both domestically and internationally. The company will have to pay a 1.5 - 3% trademark fee on sales of products under the "DUNLOP" trademark.

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 domestic market, whereby HFT sells directly to, namely BANGKOK BICYCLE, SIAM CYCLE, for instance, under the brand “DURO”, and major leading motorcycle manufacturers from Japan include HONDA, KAWASAKI that are sold under DUNLOP Brand. In 2017, the company had a market share of 11.68% in OEM motorcycle market, and also sells golf cart tires under DURO brand to leading golf cart manufacturers such as THAI YAMAHA MOTOR due to the quality of the products and reputation of trademark. As the company has a good relationship with SUMITOMO RUBBER GROUP, which has its contact with Japanese motorcycle manufacturers, this makes HFT receive more orders, increasing confidence of domestic market expansion.

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 BORNEO TECHNICAL (THAILAND) CO., LTD. and RUNGSIAM CHAROEN 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 HFT has been granted with ISO 9001:2008 Quality Certification, and the use of recognizable brand name and logo, i.e. “DURO”, “Q-UICK” and “DUNLOP”. HFT also sets the price of its own products in 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 production cost, 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 companies within the group are manufacturing similar products i.e. tubes and tires, in order not to prevent overlapped target market and conflict of interest amongst affiliated in parent company's group, the product types and market sectors of the affiliated companies have, therefore, been segregated, a strategies approved by Board of Directors of the parent company is strictly implemented as follows:

The product type and market sectors of the affiliated companies

		<u>Product Categories/Segmentation</u>			<u>Market</u>		
		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. Which is the mother company located in Taiwan.

- 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 tires that has light weight and durable against impact tension, suitable for racing bikes and tires without tubes such as all-terrains vehicle and freestyle bikes of which the 'Price Range' is also used for segregating the various quality levels.

- **Mid-Low end Market** indicates bicycle and motorcycle tire market (including industrial vehicle tires) 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 aforementioned, 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 in HFR group has established a clear-cut policy in terms of target customers 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., 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 domestic market and in Europe, while HFC has its customer base in China (PRC) and U.S.A., whereas HFR expertise in bicycle and motorcycle tires as well as industrial vehicle tire production that required high technology in manufacturing process, resulting in high quality products and price differences. Therefore, HFR's target customers are different from both HFT and HFC.

In conclusion, 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 other countries with HFA as a distribution center in United States of America.

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 arranging customer name lists in accordance with target market and product range manufactured by the company, in line with what stated earlier in the chart. Whereby, the company is responsible for delivering the products and collecting payment directly from customer, in this case the markets include Europe, North America and Africa etc. including number of customers who have been transferred from Sumitomo Rubber Industries Ltd. For All Terrain Vehicle tires, which have been selling to the major OEM customers who have been supported by parent company and ranked as our top 10 customers.

2. International Customers individually acquired by HFT

The company is allowed to seek for customers in international market as long as the export products and the market segment will not overlap with the products and market segment already taken by affiliated company i.e., the major customer in Europe such as Decathlon Group and Vittoria for bicycle tire manufacturing, Indochina countries, ASEAN, Middle East, and Africa. The company is responsible for setting the product price range with same product price comparison as reference in order to prevent price competition between companies within the business grouping, and making product price range in line with the prevailing conditions of competition in the international market. The important factors used for setting the product price range include the cost of raw material, the types of product and similar price of similar products manufactured by competitors, the prevailing market price range and market conditions at that time.

Domestic Competition

1. Original Equipment Manufacturer (OEM)

In 2017, the number of registered motorcycle was 1,816,000 units, increased for 4% compared to

Last year, as the factors which affected to the market as good economic condition, a price increasing of agricultural goods, a growth of export section and tourism which made a large amount to the country. These were positive factors which distributed the growth to the market, also caused the consumer to have more purchasing power and affordable to buy new vehicles.

Last year, the market tended to be in positive way continuously, because of the prediction of election, which it contributed to the reliable of stronger economy. In the part of risk factor, it was still about the investment in basis infrastructure which had no result in economic system.

However, company managed to increase the market share in OEM market as 11.68%, which added up to 1.84%, due to a good brand image and product quality maintenance successively. Meanwhile, motorcycle manufacturer has launched new models to the market for supplying as demanded by consumer, and encouraged the market by several marketing campaigns, including improved sales networking for matching with changed behavior of consumer. Therefore, there was a change of strategy for matching with situation as well as being a new choice for consumer by focused on the youth as the target group.

2. Replacement Equipment Market (REP)

In 2017, it can be called the year which company had to encounter with rising production cost rising since the first quarter of the year, adding with price competition in the market. Many manufacturers decreased the price of goods to be competitive, as our good-relationship connection between our company and dealers, company has been overcome this crisis and still well keep the customer base, received the kind support and cooperation from customer, including all related stakeholder.

Also, the company has keep supporting customer by trade discount in case of sales target achievement, including other marketing supporting activities, including changing sales strategy in replacement market by adding the sales path as a direct sale to retailers and wholesalers, both in Bangkok and other provinces in Thailand. As our good quality of goods and well-system distribution, the feedback from the market towards our company and goods is much well.

The company expanded to focus on the motorcycle store and accessories market which is major store all over the country by appointing more dealers and arranges the sales promotion activities to reach the end users. 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

The company 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 trademark that is recognized worldwide;
- Marketing support by the parent Company and affiliated companies in the group, which have extensive experiences in operating this business;
- Being the globally recognized and qualified products to compete worldwide.

Nonetheless, due to highly pricing competition attributable, regarding the marketing policy during year past if compared with the competitor for the same product was found that;

For bicycle tire product, the company can arrange the selling point by setting the price which is affordable by customer. Importantly, in the company has got the high-quality stability compare with the competitors, and still has the order sharing from customer more than 50%. This is because the company is a big manufacturer and can produce in the continuous big volume quantity and can receive the incoming order systemically as well as customer can plan and provide the forecast order in more advance. Besides, there is also the product of skin wall bicycle tire which is the high quality and light weight with good quality which still keep develop this product. In addition, the company has created sales point as business participation or partnership in sharing marketing information, sales crisis and consultant or making agreement to lead both parties, seller and buyer, overcome all happened crisis smoothly, by changing production plan, increasing production ability and machines including workman for support the order efficiently. This had a positive result in market expansion both in the number of customer and dealer over the world, especially in Europe and Asia. By the way, overall sales amount of bicycle tire and tube has increase due to our partnership with the main customer in planning of production in advance for 1 year, increasing production capacity for supplying the order in advance which can be welled distribution as well as the requirement of customer, and training

workman in several skills for development continually in delivery and production. All lead to the growth of order in last year.

Concerning motorcycle tire and tube, company has more focused on marketing support for customer if compared with last year, by doing a research on product price of competitors and combining it into the price structure of each markets for being competitive. Also, company has contributed sales and marketing support to ASEAN customer. However, the world's economy has a cutback period and be in severe competitive in tire market, which lead to stable sales amount, as compared with last year. Company's important customer is still ASEAN customers which possess the sales growth successively, adding African, Middle East, South America and Europe customers which are the big dealers in the area.

The sales portion for export still is at 62.77% by overall, and company still got the problem of excessive production capacity with low production cost, it appeared that the selling price from China, Indonesia, India and Sri-Lanka who has the high production capability and 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 sales 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).

Industry Overview and Competition

- **Industry overview**

According to the company have many competitors who are produce tire and tube for bicycles, motorcycles and industrial vehicle in China, Indonesia, Vietnam and other countries. So the company still plans to launch new best quantities products to be able to expand market share especially in the middle and lower market. In order to avoid compete by undercut price and the company is facing extreme competition in the market. Company must raise the level of the high-end market by way of commission.

- Development of new products continuously by making our own unique goods which different from other competitors.
- Development of packaging in accordance with the market's demands
- Maintaining the best quality and follow all international standard which company is guaranteed.

- Reaching the customer's satisfaction including participate in marketing strategy plan of customer for sales target achievement.
- Follow up the price and activities of competitors concisely and promptly, including Benchmarking analysis for considering to adjust company's strategy.

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.

According to local motorcycle manufacturers continuously production, the company has considered about main factors of overall business condition and well-organized sales and marketing strategy by determining to keep current most-potential customers and expanding to middle-potential customers, as well as focused on qualified product maintenance, making brand image, controlling sales price, in purpose of being competitive in the market. However, company would not pay attention to price competition, which it might lead to bad result in the future.

Company still intends to increase the sales 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 been supported well by the parent company to develop the new product into the market.

International Market

The domestic and international sales volumes of both motorcycle tires and tubes have continued to increase although were affected by foreign exchange rate. 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. However, company has been developed new products as the demand of customer, especially high-level of purchasing power customer, regardless its type as high ability product or fashionable.

Risk Factors and Risk Management

Risk factors mentioned in this section are considered as the critical risk factors that may potentially influence on the business operation. Investors should consider other risk factors which also may occur for investment consideration. Important risk factors consisted as the following;

- **Business Operational 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 producers 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.

In relation to 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 factors of competition 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. 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.

4. Risk associated with Foreign Exchange Rate

- Risk from Trading

The revenue attributable from export accounted for 62.53% in 2016 and 62.77% in 2017 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 and has been in a severe rate fluctuation in 2017. However, in case of Baht becomes appreciate, the company must monitor situation of the Baht per foreign rate closely. To be able to estimate and fix the Euro currency exchange losses in time. The company endeavored to match the same currency with assets and liabilities to ensure the natural hedge with USD which can in some extent reduce the foreign exchange risk.

- Risk from the financial loan

In 2017 The Company had no financial loan.

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

For crude oil price, due to APEC has negotiated to reduce production, the price of crude oil is raised up to more than 60 USD per barrel in 2018. If Saudi Arabia which is the big manufacturer has controlled its crude oil production quantity, the price of crude oil has been in a less chance to decrease.

In relation to natural rubber, the stock of natural rubber in China is still in a large number, and a percentage of distribution to market is still less, then price adjustment in short term for natural rubber is possible difficultly. In the first quarter of 2018, the price of natural rubber is about 46-48 Baht per kilogram. Company has contacted with new suppliers besides the old and planned to complete the test within the third quarter of this year.

In the fourth quarter of 2017, the price of synthetic rubber had some increases, but in 2018 the price is still stable, as the result of one of the factors which is no changing in the price of natural rubber.

Due to China's policy about environment, many companies reduced the production of Carbon Black and chemical products in the fourth quarter of 2017, and some even managed to close business, which it led to the number of products in the market was decreased and the price was adjusted to high level. Even so, in the first quarter of 2018, the price has been decreased slightly, the company has managed to seek new suppliers besides Chinese.

To summarize, the fluctuation affected much on Carbon Black price solely, which it is difficult to control. Besides Chinese suppliers, company also managed to find others reduce the risk and cost.

6. Risk from the deficiency machinery

With the 24-hours operation, it might be occurred the case which the malfunction of machinery and equipment and lead to stop production. For this reason, 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 and New Year period which has affect the production.

7. Risk from the Natural Disaster

In 2017, company did not have any natural disaster.

- **Management Risk**

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

HFR, which is parent company, holds the stake of 50.42% of total Paid-up shares. As a result of this, HFR can control a supermajority vote of shareholders meeting. However, the parent company as known as HFR has no policy to manipulate HFT's policy but rather support in many ways such as recommendation HFT to new foreign customers. In the process of raw material purchase, HFT is free to buy any suppliers who provide the fair price. Currently, the raw material purchased from HFR accounts for only 0.47% of total raw material purchase in 2017. However, it shows that the parent company has conducted the policy and divided segment of customer clearly. In addition, 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, 10.18% 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 sales continued. In addition, the long-term relationship amongst groups including HFT, parent company and Sumitomo Rubber will ensure the long commitment.

3. Sales policy formulation

The Company has set a sales policy and business operation are aware of the importance to Customers and Partners of company more than just making a profit, by emphasis on quality and reasonable price to be competitive in the global market.

General Information

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 and Bicycle
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
Subsidiary company	:	HFT Holding Company Limited. 317 Soi 6C Moo 4 Bangpoo Industrial Estate TombonPraksa, AmphorMuang, Samutprakarn 10280
Join Venture Company	:	PT. Hwa Fong Rubber (Indonesia) (Incorporated in Indonesia.) The Ascent (Thailand) Co., Ltd. 317 Soi 6C Moo 4 Bangpoo Industrial Estate TombonPraksa, AmphorMuang, Samutprakarn 10280 Chital International Trading Co., Ltd. (Incorporated in Taiwan.)
Securities Registrar	:	Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand Tel: (66 2) 009 9000 Fax: (66 2) 009 9991 SET Contact Center : (66 2) 009 9999 Website: http://www.set.or.th/tsd E-mail: SETContactCenter@set.or.th Securities staff : Khun Boonrak Muenvichit
Auditors	:	MS. SUREERAT THONGARUNSANG Certified Public Account Registration No. 4409 MS. PATAMAVAN VADHANAKUL Certified Public Account Registration No. 9832 Mr. BUNYARIT THANORMCHAROEN Certified Public Account Registration No. 7900 KPMG Phumichai Audit Company Limited 195 Empire Tower, 50 th – 51 st Floor, South Sathorn Road Yannawa, Sathorn, Bangkok 10120.

Information Securities and Shareholder

1. Assets of the company

Registered capital of the company on December 31st, 2017 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.

2. Shareholders

Names of the largest shareholders of the company on December 29th, 2017.

Name	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber Industries Company Limited	332,000,000	50.42
2. Mr. Nattapat Rangsarn	16,500,000	2.51
3. Mr. Anan Raweesangsoon	16,000,000	2.43
4. Mrs. Hsin – Mei Yen Hsien	15,018,000	2.28
5. Mrs. Hsiu - Hsia Yen Lin	15,000,000	2.28
6. Mr. Somchai Pudphai	13,930,000	2.12
7. Mrs. Chin - Lien Yen Huang	13,920,000	2.11
8. Mr. Ravi Kasemsarn	10,350,000	1.43
9. THAI NVDR COMPANY LIMITED	9,426,200	1.43
10. Mr. Sutud Luang Dansakul	9,080,000	1.38

3. Shareholder of a subsidiary.

3.1 Registered capital of the company on December 31st, 2017 the HFT Holding Co., Ltd. had a registered capital of Baht 100,000,000.00 (One hundred million baht) divided into 1,000,000 shares with a par value of Baht 100 and a paid-up capital of Baht 100,000,000.00 (One hundred million baht)

Name	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber (Thailand) Public Company Limited	999,997	99.9997

3.2 Registered capital of the company on December 31st, 2017 PT. Hwa Fong Rubber (Indonesia) (Incorporated in Indonesia.) had a registered capital of 10,000,000.00 USD (One hundred million US Dollar) divided into 10,000,000 shares with a par value of 1 USD

Name	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber (Thailand) Public Company Limited	9,900,000	99
2. HFT Holding Co., Ltd.	100,000	1

4. Shareholder of The Company join venture.

4.1 Registered capital of the company on December 31st, 2017 The Ascent (Thailand) Co., Ltd. had a registered capital of Baht 20,000,000.00 (Twenty million baht) divided into 200,000 shares with a par value of Baht 100 and a paid-up capital of 50% of registered capital.

The Ascent (Thailand) Co., Ltd.	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber (Thailand) Public Company Limited	86,000	43
2. Miss Amonrat Seaton	51,000	25.5
2. Miss Pinyapat Jaruokitthirat	40,000	20
3. Other Minor shareholders	23,000	11.5

4.2 Registered capital of the company on December 31st, 2017 Chital International Trading Co., Ltd. Incorporated in Taiwan and had a registered capital of TWD 25,000,000.00 (Twenty-five million TWD) divided into 2,500,000 shares with a par value of TWD 10.

Chital International Trading Co., Ltd.	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber (Thailand) Public Company Limited	1,125,000	45
2. Ching Ying Investment Company Limited	500,000	20
3. Mr. Huang, Cheng-Yong	500,000	20
4. Yuan Heng Li International Development Public Company Limited	375,000	15

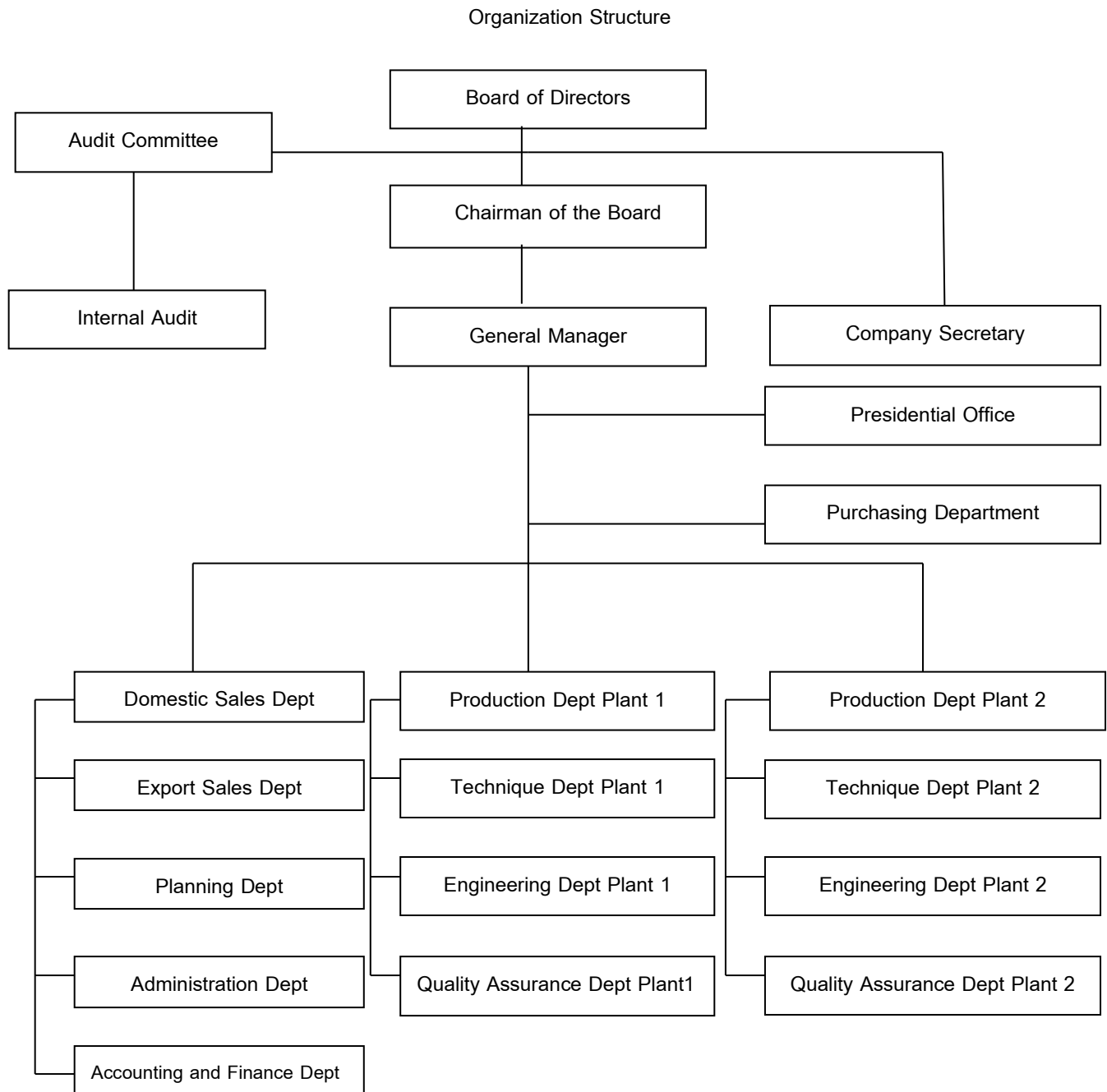
Dividend Policy

The Company's policy is to pay dividends at a rate of not less than 30 percent of the net profit after tax. And other reserves in the event that any such business expansion in the future.

Dividend History Data

<i>Year</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Earnings per share (EPS)	0.39	0.51	0.63	0.44
Dividend per share (DPS)	0.06	0.10	0.20	0.15
Dividend Payout Ratio (%)	15.45%	19.49%	31.36%	33.97%

Management Structure



Board of Directors and Management Team

Board of Directors

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
1. Ms. Su, Ming - Fen Chairman and Managing Director Board authorized To bind the company, according to the affidavit. 24 November 2011	54	-Bachelor Degree (Accounting and Statistic) National Taipei College of Business – Taiwan -Master Degree of Executive Master of Business Administration Mingdao University - Taiwan	-	Mother of Mr. Lin Chu Fung	2014-2018, Feb 2013-2018, Jan 2011-present 2011-present	Director Chairman Managing Director Managing Director	The Ascent (Thailand) Co., Ltd. Hwa Fong Rubber Industry Co., Ltd. Hwa Fong Rubber (Thailand) PLC. HFT Holding Co., Ltd.
2. Mr. Chen, Ching – Tang 21 April 2017	34	-Electrical Engineering and computer science University of Michigan -Engineering Management System Columbia University -Law and Technology Program certificate University of California, Berkeley, School of Law.	-	-	2017-present 2016-present 2010-2016	Director Chief Executive Officer Engineering Manager	Hwa Fong Rubber (Thailand) PLC. Hwa Fong Rubber Industry Co., Ltd. PYPAT IP SERVICES Co., Ltd.

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
3. Mr. Chang Tai Shan Director 2 July 2014	59	-Junior High School Tam Sui Junior High School -Degree of Master of Business Administration Asia University - Taiwan	-	-	2014-present 2011-present 1992-present 1989-present	Director Director President Shareholder President	Hwa Fong Rubber (Thailand) Plc. The Ascent (Thailand) Co., Ltd. YONG QI (CHANG ZHOU)BICYCLE IND. CO.,LTD UNIVICTOR INTERNATIONAL CORPORATION MING CYCLE IND. CO.,LTD
4. Mr. Yen, Ming – Shan Director 11 August 2012	78	Vocational Certificate Taiwan	-	-	2012-Present 2012-Present 2012-Present 2012-Present 2011-Present 2009-Present 2003-Present 1993-Present 1992-Present	Director Permanent Director Permanent Director Director Director Chairman Director Director Director	Hwa Fong Rubber (Thailand) Plc. Taiwan Rubber & Elastomer Industries Association Co., Ltd. Taiwan Rubber Research & Testing Center Co., Ltd. Taiwan Provincial Industrial Association Hwa Fong Rubber Industry Co., Ltd. Sheng Da Investment Co., Ltd. Hwa Fong Rubber (SuZhou) Co., Ltd. Hwa Fong Rubber (China) Co., Ltd. Hwa Fong Rubber USA,Inc d/b/a Duro Tire&Wheel Inc.

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
5. Mr. Yen, Ya – Nan Director 11 August 2012	74	Vocational Certificate Taiwan	-	-	2012–Present 2011–Present 2011–Present	Director Director Chairman	Hwa Fong Rubber (Thailand) Plc. Hwa Fong Rubber Industry Co., Ltd. Deng Feng Investment & Development Co., Ltd.
6. Mr. Lin, Chu – Fung Director 8 November 2013	29	-Bachelor Degree of Food Science at the Tunghai University, Taiwan. -Master Degree of Executive master of Business Administration National Taipei University of Technology.	-	Son of Mrs. Su, Ming-Fen	2013–Present 2013–Present 2013–2013 2010–2013	Director Director Sales Assistant Manager Sales Assistant Manager	Hwa Fong Rubber (Thailand) Plc. HFT Holding Co., Ltd. Hwa Fong Rubber Industry Co., Ltd. IS'MI Co., Ltd.

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
7. Mr. Chiang Jung Tsung Director 21 April 2017	55	-Diploma of Chemical Engineering Private Nanya Junior College of Technology - Taiwan. -Vocational Certificate South Asia Engineering college. Taiwan -Master of Business Administration National Taipei University of Technology	-	-	2017 – Present	Director	Hwa Fong Rubber (Thailand) Plc.
					2010 – Present	Vice Presidential	Hwa Fong Rubber (Thailand) Plc.
					2005 – 2009	Factory Manager	Hwa Fong Rubber (Thailand) Plc.
8. Mr. Yen, Chih – Che Director 21 April 2017	42	-Bachelor of Business Administration DAYEH University -Architectural Engineering department Cheng Shiu University	-	-	2017 – present	Director	Hwa Fong Rubber (Thailand) Plc.
					2007 - present	Principal	Sin-Jian-Hua Hydropower materials Co., Ltd.
					2000 - 2007	Manager	Jian-De Plastic Hydropower materials Co., Ltd.

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
9. Mr. Chih Yu Liao Chairman of Audit Committee/ Independent director 20 September 2017	36	-Bachelor of Business Administration, Management & Finance Minor – Accounting, Loyola Marymount University, Los Angeles CA, USA.	-	-	2017- Present	Chairman of Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.,
					2011-Present	Director/ Chief of Financial Officer	Sinkitphaiboon Lohakarn Co., Ltd.
10. Ms. Liang, Su - Jung Audit Committee/ Independent director 10 August 2013	47	Bachelor Degree (International Business) Southern Taiwan University	-	-	2013-present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.
					2011-2013	Director	Hwa Fong Rubber (Thailand) Plc.
					2004-present	Managing Director	IS'MI Co., Ltd.
11. Mr. Liao Chen Hsuan – Yu Audit Committee/ Independent director 21 April 2017	35	-Bachelor of Asian Studies and Economic University of British Columbia, -Master of Business Administration National Taiwan University	-	-	2017-2018, Jan	Director	Taiwan Tea Corp.
					2014-2016	Executive Vice President	Taiwan Tea Corp.
					2012-2014		

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
12. Mr. Boonyarit Ngamwongmas Audit Committee/ Independent director 20 September 2017	34	-Master of Business Administration, University of La Verne. -Bachelor of Social Administration, Thammasat University.	-	-	2017- Present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.,
					2006-Present	Managing Director	Sinkitphaiboon Lohakarn Co., Ltd.

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	54	-Bachelor Degree (Accounting and Statistic) National Taipei College of Business – Taiwan -Master Degree of Executive Master of Business Administration Mingdao University - Taiwan	-	2014-2018, Feb 2013-2018, Jan 2011-present 2011-present	Director Chairman Managing Director Managing Director	The Ascent (Thailand) Co., Ltd. Hwa Fong Rubber Industry Co., Ltd. Hwa Fong Rubber (Thailand) PLC. HFT Holding Co., Ltd.
2. Mr. Chiang Jung -Tsung Vice General Manager	55	-Diploma of Chemical Engineering Private Nanya Junior College of Technology - Taiwan. -Vocational Certificate South Asia Engineering college. Taiwan -Master of Business Administration National Taipei University of Technology	-	2017 - Present 2010 – Present 2005 - 2009	Director Vice Presidential Factory Manager	Hwa Fong Rubber (Thailand) Plc. Hwa Fong Rubber (Thailand) Plc. 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
3. Mr. Hsu An Jen Sales Manager	58	Bachelor Degree (Business Administration) Tung Hai University Taiwan	-	2002 - present	Sales Manager	Hwa Fong Rubber (Thailand) Plc.
				2015-2016	Quality Control	Hwa Fong Rubber (Thailand) Plc.
				1997 - 2002	Vice Presidential Manager	Hwa Fong Rubber (Thailand) Plc
4. Ms. Radatorn Tanaasawapol Financial and Accounting Manager	53	Bachelor Degree (Marketing) Ramkhamhaeng University	0.000076	2005 - present	Financial and Accounting Manager	Hwa Fong Rubber (Thailand) Plc.

Secretary of company

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Working Experience for Past 5 Years		
				Period	Name-Last name/Position	Age
1. Mr.Athisit Worachote Secretary of company	53	Bachelor Degree (Law) Ramkhamhaeng University	0.000228	2010-present	Secretary of company	Hwa Fong Rubber (Thailand) Plc.
				2003-present	Presidential office	Hwa Fong Rubber (Thailand) Plc.
				2001-2003	Manager	Hwa Fong Rubber (Thailand) Plc.
				1991-2001	Administration Manager Legal Department	Hwa Fong Rubber (Thailand) Plc.

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 31st, 2017.

No.	Name-Last Name	Position
1.	Ms. Su, Ming - Fen	Chairman of the Board and Managing Director
2.	MR. Chen, Ching – Tang	Director
3.	Mr. Chang, Tai – Shan	Director
4.	Mr. Yen, Ya – Nan	Director
5.	Mr. Yen, Ming – Shan	Director
6.	Mr. Lin, Chu - Fung	Director
7.	Mr. Chiang, Jung - Tsung	Director
8.	Mr. Yen, Chih - Che	Director
9.	Mr. Chih Yu Liao	Chairman of Audit Committee and Independent director
10.	Mr. Liao, Chen Hsuan – Yu*	Audit Committee and Independent director
11.	Ms. Liang, Su – Jung	Audit Committee and Independent director
12.	Mr. Boonyarit Ngamwongmas	Audit Committee and Independent director

Remark : *Mr. Liao, Chen Hsuan – Yu Resignation from position, Effective on January 3, 2017.

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 of directors.

2. Audit Committee

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

No.	Name-Last Name	Position
1	Mr. Chih Yu Liao	Independent director / The Chairman of the Audit Committee
2	Mr. Boonyarit Ngamwonhmas*	Independent director / Audit Committee
3	Ms. Liang, Su - Jung	Independent director / Audit Committee

Remark : No.2 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 follow:

- (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 31st, 2017

Name-Last Name	Position
1. Ms. Su, Ming-Fen	Chairman of the Board and Managing Director
2. Mr. Chiang, Jung- Tsung	Vice General Manager
3. Mr. Hsu, An-Jen	Sales Manager
4. 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. Recruitment and Appointment 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

The Company's remuneration policy for directors and executives with regard to obligations which have been assigned and the payment of compensation for executives is consistent with the results of operations of the Company and the performance of management. The following details:

1. Remuneration who attends the Board of Director Meeting at amounting 25,000 Baht (Twenty-five thousand baht only) and the remuneration for independent director and audit committee who attends the Audit Committee Meeting at amounting 25,000 Baht (Twenty-five thousand baht only) per person per time until further notice has been announced.

2. Annual remuneration 2017

Positions	Annual remuneration
Chairman of the Board	-
Directors	200,000.00 Baht
Chairman of the Audit Committee	540,000.00 Baht
Independent Director / Audit Committee	300,000.00 Baht

Remuneration of each Director in 2017

Unit : Baht

No.	Name	Position	Remuneration	Premium	Remark
1.	Ms.Su, Ming - Fen	Chairman of the Board and Managing Director	-	150,000	
2.	Mr.Chen Tai	Director	-	25,000	Retired from 21 Apr 2017
3.	Mr. Chen, Ching - Tang	Director	150,000	50,000	Appointment on 21 Apr 2017
4.	Mr. Yen, Ming – Shan	Director	200,000	150,000	
5.	Mr. Yen, Ya – Nan	Director	200,000	150,000	
6.	Mr. Lin, Chu – Fung	Director	200,000	150,000	
7.	Mr. Chang, Tai – Shan	Director	200,000	50,000	
8.	Mr. Chiang, Jung-Tsung	Director	150,000	100,000	Appointment on 21 Apr 2017
9.	Mr. Yen, Chih Che	Director	200,000	100,000	Appointment on 21 Apr 2017
10.	Ms.Patra Chirathivat	Chairman of Audit Committee and Independent director	270,000	150,000	Retired from 28 Aug 2017
11.	Miss. Varunee Sojiphan	Audit Committee and Independent director	150,000	175,000	Retired from 15 Aug 2017
12.	Miss. Liang, Su – Jung*	Audit Committee and Independent director	300,000	250,000	
13.	Mr. Liao, Chen Hsuan-Yu	Audit Committee and Independent director	300,000	175,000	Appointment on 21 Apr 2017 and Retired from 3 Jan 2018
14.	Mr. Chih Yu Liao	Chairman of Audit Committee and Independent director	270,000	50,000	Appointment on 20 Sep 2017
15.	Mr. Boonyarit Ngamwongmas	Audit Committee and Independent director	150,000	50,000	Appointment on 20 Sep 2017

Director's remuneration 15 persons of 12 Positions and Management 4 persons as at 31st Dec, 2017 compare with year 2016 as follows :

Type of remuneration	Director's remuneration 15 persons (Baht)		Managements remuneration (Baht)	
	2017	2016	2017 (4persons)	2016 (5persons)
Salary	-	-	8,786,768	10,989,625
Annual remuneration	2,740,000	2,680,000	-	-
Bonus	-	-	1,758,510	3,113,105
Premium	1,775,000	1,250,000	-	-
Total	4,515,000	3,930,000	10,545,278	14,102,730

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:

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.

Responsibility of the Board of Directors

Board of Director's Structure

The company's directors consist of 12 directors as follows:

Executive Directors	2 persons
Non-Executive Directors	6 persons
Independent Directors and Audit Committee	4 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 4 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, one of the four Audit Committee is competent in financial and accounting background and fully understands the company's business and its respective financial report.

1. Sub Committee

The Company has appointed an audit committee in 3 years' term, consisting entirely of Independent Directors on 31 December 2017 as follows:

No.	Name-Last Name	Position
1	Mr. Chih Yu Liao	The chairman of the Audit Committee
2	Mr. Boonyarit Ngamwongmas*	Audit Committee
3	Ms.Liang, Su - Jung	Audit Committee
4	Mr. Liao, Chen Hsuan - Yu	Audit Committee

Remark : *No.2 He has knowledge and experience in reviewing to verify the financial statements of the Company.

All audit committee members has requisite qualification under relevant SET rules and guidelines, 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 coordinate with internal auditors on report of internal controls assessments.
- To review transactions that involves conflicts of interests.
- To contemplate the risk management.

2. Role and Responsibility of the Board of Directors

The Board of Directors is responsible according to Good Corporate Governance Policy 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.

3. 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.

4. 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. 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.

6. 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.

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 2017, the Board of Directors and Board of Audit Committees convened the meeting 6 times and 4 times respectively. Details of Attendance of the Board of Directors and Board of Audit Committee can be summarized below:

Board of Director's meeting

In 2017 have a meeting of the Board of Directors 6 times and the Audit Committee 4 times by attending meetings of the Board and the Audit Committee are as follows :

Name	Position	Number of Attendance / Number of Meetings		Remark
		Board of Director	Board of Audit Committee	
1. Ms.Su, Ming – Fen*	Chairman of the Board and Managing Director	6/6	-	
2. Mr.Chen Tai	Director	1/6	-	Retired from 21 Apr 2017
3. Mr. Chen, Ching - Tang	Director	2/6	-	Appointment on 21 Apr 2017
4. Mr. Chang, Tai – Shan	Director	2/6	-	
5. Mr. Yen, Ming – Shan	Director	2/6	-	
6. Mr. Yen, Ya – Nan	Director	6/6	-	
7. Mr. Lin, Chu – Fung	Director	6/6	-	
8. Mr. Chiang, Jung - Tsung	Director	4/6	-	Appointment on 21 Apr 2017
9. Mr. Yen, Chih Che	Director	4/6	-	Appointment on 21 Apr 2017
10. Ms.Patra Chirathivat	Chairman of Audit Committee and Independent director	3/6	3/4	Retired from 28 Aug 2017
11. Miss.Varunee Sojiphan	Audit Committee and Independent director	4/6	3/4	Retired from 15 Aug 2017
12. Mr. Chih Yu Liao	Chairman of Audit Committee and Independent director	1/6	1/4	Appointment on 20 Sep 2017
13. Miss. Liang, Su – Jung	Audit Committee and Independent director	6/6	4/4	
14. Mr. Liao, Chen Hsuan - Yu	Audit Committee and Independent director	4/6	3/4	Appointment on 21 Apr 2017 and Retired from 3 Jan 2018
15. Mr.Boonyarit Ngamwongmas	Audit Committee and Independent director	1/6	1/4	Appointment on 20 Sep 2017

Note: * The authorized signatory and the company's seal affixed are: Mrs. Su Ming Fern

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 2017, the overall performance of the Board of Directors is fairly good.

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.

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.

The auditor and determine their remuneration of 2017

The auditors from KPMG Phoomchai Audit Limited be the company auditors and subsidiary company for year 2017 with the remuneration amounting (audit fee) total 1,669,000 Baht (One million six hundred sixty-nine thousand Baht). And others (non-audit fee) total 896,320.00 Baht (Eight hundred ninety-six thousand three hundred and twenty baht)

Practice as Good principles Governance in others issue

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 2017, the company convened 1 times of the shareholder meeting. On April 21st, 2017 at 10.00 am., the company convened the Annual General Meeting 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 down load in the company's website.

About to AGM Meeting, the company 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

The company recognizes the value of employees. Therefore, we have provided the benefits for the employees as followings:

- Provide the rice for 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
- 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.
- Organize Annual travel.

● 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.
- Provide a 5 Patrol security to employees, such as the care and protection of working with dangerous chemicals, suggested the use of personal protective fit for teams that practice is, to prevent harm and accidents. Taking care of yourself while working with such risk factors.
- 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 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 of Thailand, Government office, Language Education with Language Institute 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 5GEN & Why Why Analysis (5G is 1. Genba 2.Genbutsu 3.Genjitsu 4.Genri 5.Gensoku), Internal Quality Audit (IQA) and control production. In the year 2017, company has organized training to increase potential for work of all levels of employees by inviting the external person who gives lectures to training on topics below.
1. Participatory energy conservation.
 2. Internal Quality System Tracking Techniques.
 3. Techniques to reduce production costs.
 4. Analyze the cause of the problem and take corrective and preventive action.

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.

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. 118 (Mr.Athisit Worachote) and ext. 112 (Ms. Atittaya Sangkeaw). 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 have 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.

Corporate Social Responsibilities : (CSR)

Social and Environmental Responsibility Policy.

The Company is committed to conducting business as good corporate governance. The company's sustainable growth coupled with society. Therefore, recognizing the importance of conducting business responsibly is acceptable to all concerned sectors. Including taking into account the interests of all stakeholder groups. The Company's directors, management and employees to promote with confidence and awareness to occur at all levels. To be in the same direction, the Company has established policies, Social responsibility and environmental follows.

1. To conduct business with transparency and accountability. The company Committed to sustainable business growth coupled care environment and the community by Social assistance willingly as well as the interests of all stakeholders.

2. The Company will improve manufacturing processes to reduce impact to the environmental.

3. To labor practices, the Company's governance wage to a level appropriate to industry, Including laws and regulations on occupational health and safety for employees.

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

In 2017, the company has promoted social activities continued. For the common good and in the future, the company will continue its policy of corporate social responsibility in the years follow the guidelines.

"Corporate Social Responsibility" Prepared by the Stock Exchange of Thailand, which the Company has made the following social activities as following;

1. Fair business conduct
2. Anti-corruption
3. Human rights respect
4. Equitable treatment of labours
5. Accountability to customers
6. Support environmental responsibilities
7. Community and social development
8. Innovation and its promotion from socially responsible operations, Environment and Stakeholders

- **Fair business conduct**

The Company recognizes that its business with integrity and honesty by adhering to social responsibility and stakeholder follow good corporate governance to ensure. The policy of company for

responsibility practices and the requirement to the appropriate action.

By paying attention to all of stakeholder, whether they are customers, competitors employees and directors of companies to be fair and equitable. Such as the product to customers will be responsibility for both the quality of the product, to be providing after-sales service and customer confidentiality and compliance with the rules of the competition as well.

1. Shareholders and investors.

The company is committed to operating its business in order to build customer satisfaction and maximum benefit to our shareholders and investors, by the policy to support the rights in recognition of information transparent and reliable

2. Employees

The company has made a significant and pay great attention to the employees and to treat employees fairly, in terms of welfare benefit, environment and safety in the workplace. According to the policy of developing employees to specialize and can be adapted to work more efficiently.

3. Customers

The company focuses on producing quality and standards to customers. According to the policy that "Quality are first, the customer satisfaction are most important" By the preparation of a survey of customer satisfaction in order to improve quality and provide the best service. We strive to develop products, machine, employees and transportation. Research to improve the quality of the production. The Company conducts business with integrity and also featured heavily on the confidentiality of each customer by the ethics of the business for a good relationship between the company and customers, to achieve a long and lasting.

4. Partners or creditors

The Company has operating with partners or creditors fairly and equally, by the terms and conditions of words and taking into account the interests of the Company. By suppliers or creditors will receive the payment or products by the agreement on time and be treated equally in all cases. The Company is not in default of payment or reject without reason.

- **The Anti-Corruption**

In order to prevent corruption in every business activities, including business running and decision which it may involved with corruption be considered in appreciate way, company has established a policy of anti-corruption by clear written guidelines for conducting business and the development of corporate sustainability.

- **Human Rights Respect**

Company has conducted the policy and operated under the law and the principle of labor practice, corresponding to human right with employee, community and other involved person, with respect to human

rights, equality and liberty, regardless of invading fundamental rights and racism, as well as discrimination of religion, language, gender, education, social status and physically conditions such as childhood labor or sexual harassment.

- **Equitable treatment of labours.**

Company has managed its business with Corporate Governance Code (CG Code) which accordingly with an act of labor, employment and employment relationship: following the law of employment, no limitation of gender, age, nationality, religion and education for employment. The company has realized in equality and liberty, environment and safety in workplace, especially in encouragement of employee's participation in safety and environment in workplace, by conducted the rules of safety, safety work instruction, Safety Week activity and safety training for new employee, including providing standard safety equipment appropriately for employee and establishment of Welfare Committee, by basic democratic concept and participated management system, for being representative of employee in order to consider a better way to improve welfare and working environment with company's representative, in purpose of encouragement of employment relationship, raising motivation in work and increasing efficacy.

- **Accountability to customers**

Company's major business is to product and distribute tube and tire of bicycle, motorcycle and small truck such as cart, forklift, trailer, golf car and motocross. In production process of these products, company has emphasized on safety of customer as the first consideration of condition, as in the way of road seizure, moving in a circular path and direction control accurately and simply, in every condition of road as slippery, dry or wet, by designing tire patterns which contain the qualification of water splitting for save ride. Moreover, company has invented new compounds which free from Polycyclic Aromatic Hydrocarbon(PAHs) in production process, which it is a low immediate toxic and named as cancer distributed chemical, therefore, company has designed to use PAHs free chemical in production as the same as new European standard for tire.

- **Decrease the Number of Accident in Workplace**

Company aware of safety in workplace and set safety target to decrease the number of accident in workplace as zero (called as Zero Accident) for each department and provide safety activities such as rewarding to employee who participate in survey of risky or dangerous point at workplace and manage to inform the company for improvement. This is to emphasize the employee to aware of safety in workplace.

- **The Community Relations**

Company has provided products to government organization for use in management as keep the peace of Bangpoo Industrial Estate area and nearby.

- **Community and Social Development Participation**

As in the project of Bangpoo Industrial Estate, Samuprakarn Red Cross Association and Samutprakarn hospital for blood, eyes and other organs donation, which held at Bangpoo Recreation Center every 3 months, company has promoted the event and invited employee who interested in this project and has a good health to attend the donation.

- **Saving Energy Project**

1. Principle

To follow the policy of decreasing energy consumption and in the needed quantity for most advantages, by divided into electrical energy and thermos power, company has managed to train employee for more understanding and building conscience about saving energy, analysis and instruction for energy consumption.

2. Saving Energy Activities

- Training and building conscience about saving energy for employee by saving energy expert.
- Providing notification board and attending to saving energy activities for building unity and cooperation.
- Monthly meeting for energy consumption summary and improvement for wasted energy, including yearly summary.



3. Saving Energy Methods

Company had success in 5 methods of saving energy, consisting of electrical energy and thermal power, as in the following;

1. Changing 250-watt mercury vapor lamp at Topping section to 120-watt induction lamp 4 sets, decreasing electrical cost for 6,703 Baht/Year.
2. Changing 400-watt spotlight lamp at Banbury Black section to 110-watt LED Spotlight bulb 9 sets, decreasing electrical cost for 27,650 Baht/Year.
3. Changing 250-watt mercury vapor lamp at Mold section to 120-watt induction lamp 3 sets, decreasing electrical cost for 13,460 Baht/Year.
4. Improvement of steam leakage point, decreasing electrical cost for 852,471 Baht/Year.
5. Controlling blow down system of boiler, decreasing electrical cost for 1,792,813 Baht/Year.

Internal control and risk management

Internal Control System

The Company recognized the importance of internal control system and encouraged employee to aware of the role and duties in risk management and IT management. Company has determined the extent of responsibilities of each department and determined the annual target, also clarify to employee to follow and achieve the target.

The Company has meditated in legislation, the 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 with the guide of audit is 8 cycles. 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 2017 as 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

The Company has an internal audit department which is an independent agency responsible for auditing, monitor the performance in the organization. Every procedure of the operation is clear and contain a good system. These results in transparency in operations including the possibility of fraud prevention may occur. In the past year, the fraud is not found. The results of this audit are in accordance with the prescribed procedures. And Internal audit department. directly report result of the examination to top management and the Audit Committee to acknowledge, consider, comments and provide recommendations to the management of the Company for further improvement. The Audit Committee has scheduled a meeting with KPMG Phoomchai, the auditor on a quarterly basis to consider financial statements and review financial statements in accordance with accounting standards. The Company is confident that the internal control systems are appropriate and sufficient.

Risk management

The company's risk assessment under the changes that may affect both internal and external process, we had been review and evaluate the risk of the practitioners and monitoring the performance under the supervision of the responsible director. We usually arrange the management meeting to review the performance and appropriateness of the risk management process. Management of the company also considers and reviews the Company's compliance to ensure the effectiveness and suitability of the risk management system. The internal audit department is responsible for monitoring each department's operations. As a check credit risk control by the relevant authorities approval and set the repayment period before selling products to customers. To prevent the risk that may occur from customers who do not pay the debt and have a system to check accounts receivable. Based on these measures, the Company has an appropriate internal control and risk management system efficiency.

Opinion from Board of Directors

The Board of Directors comments 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 for each department 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.

The head of internal audit and supervisor to supervise the company's operation.

Miss.Pailin Amornkul is the head of internal audit, she has internal audit experience in the automotive industry more than 10 years which she has acknowledged about company's activities and operations, moreover, and had been trained in related internal audit courses.

However, the consideration and approval of the appointment, remove, or change position of the head of internal audit will be needed to approve by Board of Directors / Audit committee.

Connected Transaction

In 2017, company committed connected transactions with related companies as the following details:

Person or Company	Relationship	Description	Value of Connected Transaction in 2017(MB)	Pricing Policy	Appropriateness
1. Hwa Fong Rubber Industries Co., Ltd. (HFR)	Major shareholder which is holding as 50.42%	- Product Sale	17.08 (651,126 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market and normal business conditions
		- Raw materials Sale	-	- Cost plus margin	
		- Trade accounts receivable.	2.69	- Credit 60 days	
		- Raw material purchase	12.12	- Cost plus margin	For standard production with normal business conditions
		- Product purchase	0.26	- Cost plus margin	For standard production with normal business conditions
		Fixed asset purchase	2.29	- Cost plus margin (Machinery purchase for production)	For complying the same production technology with normal business conditions
		- Spare parts, materials and other expenses	6.29	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		- Technical assistance fee	3.34	100,000 USD per year	Price based on agreement
		-Trademark fee	6.52	0.5 % of total amount of sold products	Price based on agreement
		-Pattern Rights	1.20	35,000 USD/Year	Price based on agreement
		-Trade Account receivables	3.10	Credit 60 days	
		- Other trade creditors	8.01	Credit 60 days and accordance with trade agreement	

Connected Transaction (Continued)

Person or Company	Relationship	Description	Value of Connected Transaction in 2017(MB)	Pricing policy	Appropriateness
2. Hwa Fong Rubber (USA) Co.,Ltd. (HFA)	Affiliated Company (sharing parent company)	- Product sale	87.87 (604,514 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions
		-Other Expenses	0.18	Market price or based on agreement price	The price can be compared to the market price and normal business conditions
		- Trade Account receivables	18.44	Credit 90 days	
		- Other trade creditors	0.36	Credit 90 days	
3. Hwa Fong Rubber (Hong Kong) Co.,Ltd. (HFK)	Affiliated Company (sharing parent company)	-Product sale	5.64 (6,820 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions
		- Trade Account receivables	1.34	Credit 60 days	
4. Hwa Fong Rubber (China) Co., Ltd. (HFC)	Affiliated Company (sharing parent company)	- Product sale	6.32 (8,622 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions

Connected Transaction (Continued)

Person or Company	Relationship	Description	Value of Connected Transaction in 2017(MB)	Pricing policy	Appropriateness
4. Hwa Fong Rubber (China) Co., Ltd. (HFC) (Continued)	Affiliated Company (sharing parent company)	- Fixed Asset Purchase	0.04	- Cost plus profit (Machinery purchase for production)	For complying the same production technology and normal business condition
		- Trade Account receivables	4.22	Credit 90 days	
		- Other trade creditors	0.04	Credit 90 days	
		- Spare parts, materials and other expenses	0.02	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		-Product Sell	17.66 (72,460 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions
5. Sumitomo Rubber Industries Co., Ltd.	- Related company which is holding the shares in parent company (HFR) as 9.85%	- Trade Account Receivable	3.34	Credit 30 days	
		- Trademark fee	2.49	1.5 - 3% of the total amount of sold product	Price is based on agreement
		- Fixed Asset Purchase	0.52	- Cost plus profit (Machinery purchase for production)	For complying the same production technology and normal business condition
		- Raw material purchase and other expenses	1.43	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		- Other trade creditors	1.49	Credit 60 days and based on trade agreement	

Connected Transaction (Continued)

Person or Company	Relationship	Description	Value of Connected Transaction in 2017(MB)	Pricing policy	Appropriateness
6. The Ascent (Thailand) Co., Ltd.	- The company is holding the shares as 43.00% with sharing directors	- Product sale	30.09 (245,114 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price including terms and conditions
		- Short term real estate rent	0.14	Price is based on agreement	According to the price in an agreement
		-Other expenses	0.07	Market price or based on agreement price	The price can be compared to the market price including terms and conditions
		- Trade Account receivables	5.88	Credit 90 days	
		-Other account receivables	0.07	Credit 90 days	
7. HFT Holding Co., Ltd.	- The company is holding the shares as 99.99% (A subsidiary company)	- Short term real estate rent	0.12	Price is based on agreement	According to the price in an agreement
		-Other expenses	0.41	Market price or based on agreement price	The price can be compared to the market price including terms and conditions
8. Chital International Trading Co., Ltd.	- The company is holding the shares as 45 % (A Subsidiary)	-	-	-	-
9. Hwa Fong Rubber Indonesia Co., LTD	- The company is holding the shares as 99%(A subsidiary company)	-	-	-	-

As shown above, the company distributed the products to affiliated companies as to Hwa Fong Rubber Industries Co. Ltd (HFR) for 0.63%, Hwa Fong Rubber Co. Ltd (USA) for 3.22 %, Hwa Fong Rubber (Hongkong) Co. Ltd (HFK) for 0.21%, Hwa Fong Rubber (China) Co. Ltd (HFC) for 0.23%, The Ascent (Thailand) Co. Ltd. for 1.10%

and Sumitomo Rubber Industries for 0.65% of total sales. The selling price amongst connected company is based on fair market price or agreement by conducted sale price structure which considering the cost of products combining with gross profit margin.

In relation to the credit term, the company provided the payable period for both parent company and affiliated companies about 30-120 days in accordance with the normal course of business.

Regarding to purchase raw materials and machinery from parent company, the company was obliged to pay the management fee adding to the price of raw materials and machine, which it is according to the guidelines of business trading amongst the group, which be controlled and follow by parent company equally. However, the company will purchase raw material and machinery only in case of needed situations and standardization of production amongst the group.

- **Necessity and Appropriateness of Connected Transactions**

The above inter-company transactions were undertaken for the maximum benefit of the company. For instance, in order to control the quality of products as in the conducted standard, it needed to use the same kind of materials or the same identical machinery from parent company, which it helped in decreasing the mistake in production, including emergency needed cases which parent company can help in cutting the duration of purchasing process. In 2017, company purchased some machines from parent company which is contained technical skill in process of purchase and production and required supportive skill from parent company, in purpose of production technology standardization. If problems occur, parent company is able to give an instruction and basically fix the problem. In addition, Taiwan, which is company's origin of purchased machine, is named as one of the top countries in the world which is famous in export machinery in the field of motorcycle and bicycle production, it can verify that Taiwan is accepted in this industry.

- **Measures or Procedures of Approval of 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 and 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 in two cases, 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.

Financial Highlight

For the Fiscal year ended December 31	Consolidated			Separate		
	2017	2016	2015	2017	2016	2015
Stock Data						
Par value (Baht)	1.00	1.00	1.00	1.00	1.00	1.00
Book value (Baht)	4.15	3.89	3.55	4.19	3.90	3.59
Earning per share (Baht) *	0.39	0.51	0.63	0.39	0.51	0.64
Operating (Million Baht)						
Sales revenue	2,730.99	2,534.99	2,589.37	2,730.34	2,534.89	2,589.37
Total income	2,748.52	2,558.90	2,622.67	2,747.42	2,559.26	2,621.52
Net profit	255.65	337.76	413.77	254.97	337.12	419.87
Balance Sheet (Million Baht)						
Current assets	1,976.03	2,073.70	1,894.91	1,874.02	2,045.63	1,865.98
Total assets	3,162.36	2,989.16	2,779.40	3,188.14	3,000.01	2,808.82
Current liabilities	398.22	402.92	421.70	396.42	402.77	421.55
Total liabilities	431.07	430.64	444.38	429.49	430.49	444.24
Paid-up capital	2,731.29	2,558.52	2,335.02	2,758.64	2,569.52	2,364.59
Shareholders' equity						
Financial Ratio						
Returns on shareholders' equity (%)	9.67%	13.80%	18.91%	9.57%	13.67%	19.05%
Returns on fixed assets (%) *	35.41%	51.68%	61.79%	40.58%	51.60%	62.54%
Returns on assets (%)	8.31%	11.71%	15.73%	8.24%	11.61%	15.86%
Gross profit (%)	21.38%	31.90%	27.61%	21.39%	31.91%	27.61%
Current assets ratio to items of current (times)	4.96	5.15	4.49	4.72	5.08	4.43
Quick ratio (times)	3.46	3.93	3.32	3.22	3.88	3.25
Debt ratio to shareholders' equity (times)	0.16	0.17	0.19	0.16	0.17	0.19

* Total prepaid purchase for fixed assets as per the annual financial statements for 2017.

Financial Status

1. Asset

In 2017, HFT had total assets of 3,162.36 MB, increased from 2016 as 173.21 MB from land increasing in Indonesia, in-process buildings and advance payment for buying asset by amount of 283.06 MB. In relation to trade account receivable, it increased for 84.50 MB, which equal 50% of sales amount in 2017. For balance stocks, was increased to 100.54 MB which equal 22.58% due to support the production in 2018. The Company's The major items of asset comprised the cash and cash equivalent at 26.75%, trade account receivables at 16.50%, balance Stocks at 17.26% and the fixed asset at 34.72% as a percentage to total asset respectively.

The Company's ability to collect payment from the debtor has decreased from last year. The day's collection periods in 2017 were about 74.89 days and 77.39 days in 2016. Typical credit policy is set average 30 - 120 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 2017 has been decreased from 5.15 times to 4.96 times and the quick ratio decreased from 3.93 times in 2016 to 3.46 times in 2017 for cash and cash equivalents decreased by amount of 92.18 MB

3. Sources of Funds

In 2017, the debt to equity ratio showed the conservative level with ratio was 0.16 time, it had been decreased from 0.17 time of 2016, which can be realized that the current capital structure can be well equipped for further business expansion which represents the financial status strength.

Management Discussion & Analysis: MD&A

- Overall Performance

For overall performance of HFT and Subsidiary reported, its revenue from sales up to 2,731MB in 2017, increased 7.73% compared to the revenue of 2,535 MB in 2016, total sales increased 196 MB from sales amount of bicycle tire as 102.81 MB which equal to 12.55%, adding motorcycle tire's sales amount as 91.13MB which equal to 6.16%, as the result of domestic economy has been recovered and foreign market has been expanded. The company supported customers for marketing activities and participated with customers in expanded continually.

In addition, the recovery of domestic economy was in a good trend consecutively in last year, which led to increasing number of export. The price adjustment of agricultural products was the factor which increased purchasing power of customer; however, the company carried the high production cost due to raw material price adjustment and increasing labor cost. Nevertheless, the company still gained net profit amount as 255.65 MB, decreased from 2016 by 82.11 MB, which was 24.31%, and Earning per Shares was 0.39 baht.

- Main Revenue

The revenue of the company and its subsidiary companies consisted with export sales as 1,714.03 MB and domestic sales as 1,016.97 MB, which increased to 7.73% from 2016. The revenue from domestic sales was increased from 2016 as 7.05%, and export sales was increased from 2016 as 8.14% due to foreign customer has been expanded their business, and company continuously supported customers on sales and marketing activities, which showed its result in brand awareness and customer base expansion.

The company continue to focus on maintaining the quality and performance of products, including marketing support consecutively, therefore, company has gained popularity and confidence in the products.

- Other revenues

The company and its subsidiary companies gained other revenues from miscellaneous income, received interest and dividend, as the amount of 17.52 MB which decreased from 2016 as 6.38 MB, due to the loss of exchange rate in 2017 as the amount of 12.14 MB, which different from 2016 situations which company gained the profit of exchange rate as 8.63 MB. In relation of revenue from received interest, it distributed to the amount of 5.36 MB. In fact, these other revenues did not play an important part and did not affect to the overall performance of company, it can be calculated as 0.64% of total revenue in 2017.

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

For the cost of the company and subsidiary in year 2017 and 2016, the cost of sales amounted to 2,146.99 MB and 1,726.21 MB respectively which has been increased 420.78 MB or 24.38%. The cost of selling has been increased due to the raw material cost has adjusted to high price, especially the price of the main raw materials such as natural and synthetic rubber, carbon and nylon price, and labor cost increased as the adjustment of basic salary, including energy cost which tend to adjust as well. Although the circumstance was in the negative conditions, the company still concentrates on several methods for reduce production cost such as establishment of Saving Energy Committee to control energy usage properly for the most benefit and in needed conditions only, and setting production policy, for example, reducing indirect production process, and to develop new compound for both tube and tire in purpose of better quality.

In relation to administrative expenses, it was 96.69 MB which increase 31.87 MB from 64.82 MB in 2016. It was the result of loss in impairment of available-for-sale securities as 31.36 MB.

As in 2016, company managed to calculate the expenses for doubtful and bad debts by 171.69 MB, due to a civil lawsuit with Yoko Alloy Wheels Co., Ltd. to enforce debt repayment under the net sales contract from trade discount amounting 160 MB, as it was reported to SET, company has been added the expense for 9.21 MB in 2017, which it caused by adding the policy of building the financial reliability and restricted control, by conducting trade credit insurance for trading with customer both domestic and foreign market, in order to reduce the risk of non-payment customer.

Independent Auditor's Report

To the shareholders of Hwa Fong Rubber (Thailand) Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiaries (the “Group”) and of Hwa Fong Rubber (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2017, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Valuation of trade accounts receivable	
Refer to Notes 3 (d) and 7 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The Group and the Company expanded its distribution channel by supplying goods directly to a number of small businesses which involves an increased risk of the non-recoverability of accounts receivable.</p> <p>Significant judgments and estimates are required in determining the reasonableness of the policy for setting up the allowance for doubtful accounts and in assessing adequacy through considering the expected recoverability of the year-end trade receivables. Therefore, I considered this as a focus area in my audit.</p>	<p>My audit procedures included understanding the receivable process relating to acceptance of the new customer, credit limit approval and policy for the allowance for doubtful accounts through inquiry of management directly responsible in this area, evaluating the design and implementation of controls in conformity with the policy and evaluating the appropriateness of assumptions used by considering the historical receivables information for each type of customer and the future expectation of customers' payments.</p> <p>This includes inspecting receivables aging report, testing the accuracy of the report by randomly recalculating the due dates of sampled invoices. I also tested the recoverability of outstanding debtors through examination of subsequent cash receipts and assessed the adequacy of disclosure in accordance with Thai Financial Reporting Standards (TFRSs).</p>

Valuation of inventories	
Refer to Notes 3 (e) and 9 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>As the products of the Group and the Company have relatively limited shelf live, having substantial inventories may result in inability to sell out in time which could lead to obsolete stocks. A substantial level of judgment is involved in determining the decline in value of inventories. Therefore, I considered this as a focus area in my audit.</p>	<p>My audit procedures included understanding the Group's and the Company's inventory management policies and procedures through inquiry of management directly responsible in this area and evaluating the design and implementation of controls relating to determining the valuation of inventory.</p> <p>In addition, I considered inventory aging report, tested the accuracy of the report by randomly agreeing the inventory information in the report with the production report and checking whether the inventory was categorised into each age range correctly and recalculated. I assessed the appropriateness in determining the allowance for decline in value of inventories by comparing the actual stock write-off in the current year with the allowance of decline in value of prior year including the selling plan for long outstanding stocks and assessed the appropriateness in determining net realisable value to subsequent sales by randomly agreeing the actual selling price with the relevant documents, assessed the estimated cost to complete and to make the sale and assessed the adequacy of disclosure in accordance with Thai Financial Reporting Standards (TFRSs).</p>

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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

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

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

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



(Patamavan Vadhanakul)
Certified Public Accountant
Registration No. 9832

KPMG Phoomchai Audit Ltd.
Bangkok
23 February 2018

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
Assets	Note	2017	2016	2017	2016
		(in Baht)			
<i>Current assets</i>					
Cash and cash equivalents	5	845,809,207	937,988,148	753,885,176	924,584,414
Current investments	6	9,723,280	210,204,751	-	200,000,000
Trade accounts receivable	4, 7	521,717,859	437,214,233	521,717,859	437,214,233
Other current receivables	8	52,959,849	43,016,309	52,729,624	39,220,742
Inventories	9	545,816,761	445,276,476	545,686,188	444,606,306
Total current assets		1,976,026,956	2,073,699,917	1,874,018,847	2,045,625,695
<i>Non-current assets</i>					
Available for sale investment	6	41,120,344	56,292,512	-	-
Investments in associates	10	18,525,715	21,136,008	20,388,362	20,388,362
Investments in subsidiaries	11	-	-	412,255,214	100,000,000
Property, plant and equipment	12	1,097,881,175	801,046,202	852,664,724	801,005,893
Deferred tax assets	13	28,299,759	36,471,107	28,299,759	32,479,180
Other non-current assets		510,000	510,000	510,000	510,000
Total non-current assets		1,186,336,993	915,455,829	1,314,118,059	954,383,435
Total assets		3,162,363,949	2,989,155,746	3,188,136,906	3,000,009,130

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
Liabilities and shareholders' equity	Note	2017	2016	2017	2016
		(in Baht)			
Current liabilities					
Trade accounts payable	4, 14	190,241,751	174,982,646	190,082,467	174,944,746
Other current payables	4, 15	92,542,097	74,538,581	92,542,097	74,538,581
Current tax payable		24,999,213	51,262,810	24,999,213	51,262,810
Accrued expenses		71,663,518	83,630,723	70,252,478	83,521,723
Other current liabilities		18,777,445	18,509,815	18,766,191	18,503,782
Total current liabilities		398,224,024	402,924,575	396,642,446	402,771,642
Non-current liability					
Non-current provisions for employee benefits	16	32,849,931	27,714,970	32,849,931	27,714,970
Total non-current liability		32,849,931	27,714,970	32,849,931	27,714,970
Total liabilities		431,073,955	430,639,545	429,492,377	430,486,612
Shareholders' equity					
Share capital	17				
Authorised share capital		658,434,300	658,434,300	658,434,300	658,434,300
Issued and paid share capital		658,434,300	658,434,300	658,434,300	658,434,300
Share premium					
Share premium on ordinary shares	17	222,105,000	222,105,000	222,105,000	222,105,000
Share premium on treasury shares	18	7,429,904	7,429,904	7,429,904	7,429,904
Retained earnings					
Appropriated					
Legal reserve	19	65,843,430	65,843,430	65,843,430	65,843,430
Unappropriated		1,804,634,369	1,614,829,798	1,804,831,895	1,615,709,884
Other components of shareholders' equity	19	(27,157,009)	(10,126,231)	-	-
Total shareholders' equity		2,731,289,994	2,558,516,201	2,758,644,529	2,569,522,518
Total liabilities and shareholders' equity		3,162,363,949	2,989,155,746	3,188,136,906	3,000,009,130

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
	Note	2017	2016	2017	2016
		(in Baht)			
Revenues					
Revenue from sale of goods	4	2,730,997,117	2,534,994,952	2,730,343,480	2,534,894,485
Dividend income		1,097,355	243,603	559,000	559,000
Net foreign exchange gain		-	8,625,814	-	8,683,392
Other income		16,423,710	15,032,204	16,514,538	15,121,956
Total revenues		2,748,518,182	2,558,896,573	2,747,417,018	2,559,258,833
Expenses					
Cost of sales of goods	4, 23	2,146,990,118	1,726,210,203	2,146,419,101	1,726,122,703
Distribution costs	4, 21, 23	178,607,530	179,502,283	178,556,466	179,472,382
Administrative expenses	4, 23	96,692,296	64,821,500	98,128,827	64,452,123
(Reversal of) bad and doubtful debts expense	7, 8	(9,207,142)	171,685,207	(9,207,142)	171,685,207
Net foreign exchange loss		12,142,019	-	14,455,362	-
Finance costs		255,431	273,649	255,431	273,649
Total expenses		2,425,480,252	2,142,492,842	2,428,608,045	2,142,006,064
Share of profit (loss) of associates	10	(2,086,027)	22,085	-	-
Profit before income tax expense		320,951,903	416,425,816	318,808,973	417,252,769
Tax expense	24	65,303,902	78,668,724	63,843,532	80,129,093
Profit for the year		255,648,001	337,757,092	254,965,441	337,123,676
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(27,157,009)	-	-	-
Gains on remeasuring available-for-sale investments	6	-	22,389,617	-	-
Net change in fair value of available-for-sale investments transferred to profit or loss	6	12,657,788	21,956	-	-
Income tax relating to items that will be reclassified	13, 24	(2,531,557)	(4,482,315)	-	-
Total items that will be reclassified subsequently to profit or loss		(17,030,778)	17,929,258	-	-
Items that will not be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans		-	(626,071)	-	(626,071)
Income tax relating to item that will not be reclassified	13, 24	-	125,214	-	125,214
Total items that will not be reclassified to profit or loss		-	(500,857)	-	(500,857)
Other comprehensive income (expense) for the year, net of tax		(17,030,778)	17,428,401	-	(500,857)
Total comprehensive income for the year		238,617,223	355,185,493	254,965,441	336,622,819
Basic earnings per share	26	0.39	0.51	0.39	0.51

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statements of changes in equity

Consolidated financial statements								
				Retained earnings		Other components of shareholders' equity		
	Issued and	Share	Share			Available -	Total	
Note	paid-up	premium	premium on	Legal reserve	Unappropriated	for - sale	other	Total
	share capital		treasury shares		(in Baht)	investments	components	shareholders'
							of shareholders' equity	equity
Year ended 31 December 2016								
Balance at 1 January 2016	658,434,300	222,105,000	7,429,904	65,843,430	1,409,260,423	(28,055,489)	(28,055,489)	2,335,017,568
Transactions with owners, recorded directly in equity								
Distribution to owners of the parent								
Dividends	27	-	-	-	(131,686,860)	-	-	(131,686,860)
Total distribution to owners of the parent		-	-	-	(131,686,860)	-	-	(131,686,860)
Total transactions with owners, recorded directly in equity		-	-	-	(131,686,860)	-	-	(131,686,860)
Comprehensive income for the year								
Profit	-	-	-	-	337,757,092	-	-	337,757,092
Other comprehensive income (expense)	-	-	-	-	(500,857)	17,929,258	17,929,258	17,428,401
Total comprehensive income for the year	-	-	-	-	337,256,235	17,929,258	17,929,258	355,185,493
Balance at 31 December 2016	658,434,300	222,105,000	7,429,904	65,843,430	1,614,829,798	(10,126,231)	(10,126,231)	2,558,516,201

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statements of changes in equity

Consolidated financial statements									
				Retained earnings		Other components of shareholders' equity			
Note	Issued and paid-up share capital	Share premium	Share premium on treasury shares	Legal reserve	Unappropriated (in Baht)	Translating foreign operations	Available - for - sale investments	Total other components of shareholders' equity	Total shareholders' equity
Year ended 31 December 2017									
Balance at 1 January 2017	658,434,300	222,105,000	7,429,904	65,843,430	1,614,829,798	-	(10,126,231)	(10,126,231)	2,558,516,201
Transactions with owners, recorded directly in equity									
Distribution to owners of the parent									
Dividends	27	-	-	-	(65,843,430)	-	-	-	(65,843,430)
Total distribution to owners of the parent		-	-	-	(65,843,430)	-	-	-	(65,843,430)
Total transactions with owners, recorded directly in equity		-	-	-	(65,843,430)	-	-	-	(65,843,430)
Comprehensive income (expense) for the year									
Profit		-	-	-	255,648,001	-	-	-	255,648,001
Other comprehensive income (expense)		-	-	-	-	(27,157,009)	10,126,231	(17,030,778)	(17,030,778)
Total comprehensive income (expense) for the year		-	-	-	255,648,001	(27,157,009)	10,126,231	(17,030,778)	238,617,223
Balance at 31 December 2017	658,434,300	222,105,000	7,429,904	65,843,430	1,804,634,369	(27,157,009)	-	(27,157,009)	2,731,289,994

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of changes in equity

				Separate financial statements			
				Retained earnings			
	Note	Issued and paid-up share capital	Share premium	Share premium on treasury shares (in Baht)	Legal reserve	Unappropriated	Total shareholders' equity
Year ended 31 December 2016							
Balance at 1 January 2016		658,434,300	222,105,000	7,429,904	65,843,430	1,410,773,925	2,364,586,559
Transactions with owners, recorded directly in equity							
<i>Distributions to owners of the Company</i>							
Dividends	27	-	-	-	-	(131,686,860)	(131,686,860)
<i>Total distributions to owners of the Company</i>		-	-	-	-	(131,686,860)	(131,686,860)
Total transactions with owners, recorded directly in equity		-	-	-	-	(131,686,860)	(131,686,860)
Comprehensive income for the year							
Profit		-	-	-	-	337,123,676	337,123,676
Other comprehensive income (expense)		-	-	-	-	(500,857)	(500,857)
Total comprehensive income for the year		-	-	-	-	336,622,819	336,622,819
Balance at 31 December 2016		658,434,300	222,105,000	7,429,904	65,843,430	1,615,709,884	2,569,522,518

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**

Statement of changes in equity

				Separate financial statements			
				Retained earnings			
	Note	Issued and paid-up share capital	Share premium	Share premium on treasury shares (in Baht)	Legal reserve	Unappropriated	Total shareholders' equity
Year ended 31 December 2017							
Balance at 1 January 2017		658,434,300	222,105,000	7,429,904	65,843,430	1,615,709,884	2,569,522,518
Transactions with owners, recorded directly in equity							
<i>Distributions to owners of the Company</i>							
Dividends	27	-	-	-	-	(65,843,430)	(65,843,430)
<i>Total distributions to owners of the Company</i>		-	-	-	-	(65,843,430)	(65,843,430)
Total transactions with owners, recorded directly in equity		-	-	-	-	(65,843,430)	(65,843,430)
Comprehensive income for the year							
Profit		-	-	-	-	254,965,441	254,965,441
Total comprehensive income for the year		-	-	-	-	254,965,441	254,965,441
Balance at 31 December 2017		658,434,300	222,105,000	7,429,904	65,843,430	1,804,831,895	2,758,644,529

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of cash flows

	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended		For the year ended	
	31 December		31 December	
Note	2017	2016	2017	2016
	(in Baht)			
Cash flows from operating activities				
Profit for the year	255,648,001	337,757,092	254,965,441	337,123,676
<i>Adjustments to reconcile profit (loss) to cash receipts (payments)</i>				
Tax expense	65,303,902	78,668,724	63,843,532	80,129,093
Finance costs	255,431	273,649	255,431	273,649
Depreciation	12 80,541,630	79,497,991	80,536,130	79,492,476
Impairment loss on invesment	31,363,540	-	34,442,786	-
Non-current provisions for employee benefit	16 5,134,961	4,400,683	5,134,961	4,400,683
Unrealised (gain) loss on exchange	1,889,146	(2,368,669)	2,081,908	(2,286,890)
Share of (profit) loss of associates, net of tax	10 2,086,027	(22,085)	-	-
(Reversal of) bad and doubtful debts expenses	7, 8 (9,207,142)	171,685,207	(9,207,142)	171,685,207
Reversal of losses on inventories devaluation	9 (3,887,850)	(5,000,000)	(3,887,850)	(5,000,000)
Gain on disposal of equipment	12 (7,198,821)	(1,431,191)	(7,198,821)	(1,431,191)
Loss on sale of available for sale investments	-	30,492	-	-
Interest income	(5,386,820)	(5,880,952)	(5,357,648)	(5,850,704)
Dividend income	(1,097,355)	(243,603)	(559,000)	(559,000)
	415,444,650	657,367,338	415,049,728	657,976,999
Changes in operating assets and liabilities				
Trade accounts receivable	(77,300,679)	(130,030,223)	(77,300,679)	(130,030,223)
Other current receivables	(11,284,141)	(2,735,784)	(14,854,970)	327,931
Inventories	(96,652,435)	14,806,712	(97,192,032)	15,476,882
Trade accounts payable	15,767,458	(17,325,724)	15,646,074	(17,363,624)
Other current payables	9,913,581	(6,659,585)	9,909,256	(6,659,585)
Accrued expenses	(11,804,425)	16,064,441	(13,269,245)	16,098,441
Other current liabilities	268,584	1,501,627	262,409	1,498,834
Net cash generated from operating	244,352,593	532,988,802	238,250,541	537,325,655
Taxes paid	(85,927,708)	(106,589,604)	(85,927,708)	(106,589,604)
Net cash from operating activities	158,424,885	426,399,198	152,322,833	430,736,051

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

**Hwa Fong Rubber (Thailand) Public Company Limited
and its Subsidiaries**
Statement of cash flows

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
	Note	2017	2016	2017	2016
		(in Baht)			
Cash flows from investing activities					
Current investments		200,000,000	225,000,000	200,000,000	225,000,000
Acquisition of subsidiary		-	-	(346,698,000)	-
Proceeds from sale of available for sales investments		-	646,564	-	-
Acquisition of available for sales investments		(3,052,111)	(5,734,985)	-	-
Proceeds from sale of equipment	12	10,257,917	3,143,130	10,257,917	3,143,130
Acquisition of property, plant and equipment		(389,729,342)	(80,107,630)	(126,862,711)	(80,107,630)
Dividend received		1,656,355	802,603	559,000	559,000
Interest received		5,772,514	7,096,144	5,743,342	7,065,896
Net cash from (used in) investing activities		(175,094,667)	150,845,826	(257,000,452)	155,660,396
Cash flows from financing activities					
Dividends paid to owners of the Company		(65,843,430)	(131,686,860)	(65,843,430)	(131,686,860)
Interest paid		(255,431)	(273,649)	(255,431)	(273,649)
Net cash used in financing activities		(66,098,861)	(131,960,509)	(66,098,861)	(131,960,509)
Net increase (decrease) in cash and cash equivalents,					
before effect of exchange rates		(82,768,643)	445,284,515	(170,776,480)	454,435,938
Effect of exchange rate changes on cash and cash equivalents		(9,410,298)	2,335,023	77,242	2,253,244
Net increase (decrease) in cash and cash equivalents		(92,178,941)	447,619,538	(170,699,238)	456,689,182
Cash and cash equivalents at 1 January		937,988,148	490,368,610	924,584,414	467,895,232
Cash and cash equivalents at 31 December	5	845,809,207	937,988,148	753,885,176	924,584,414
Supplemental disclosures of cash flows information:					
Property, plant and equipment acquired during the year					
are detailed as follows:					
Increase in property, plant and equipment	12	398,120,688	68,574,433	135,254,057	68,574,433
Change in payables on acquisition of plant and equipment		(8,391,346)	11,533,197	(8,391,346)	11,533,197
Net acquisition of property, plant and equipment paid by cash		389,729,342	80,107,630	126,862,711	80,107,630

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

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Other investments
7	Trade accounts receivable
8	Other current receivables
9	Inventories
10	Investments in associates
11	Investment in subsidiaries
12	Property, plant and equipment
13	Deferred tax
14	Trade accounts payable
15	Other current payables
16	Non-current provisions for employee benefits
17	Share capital
18	Surplus on treasury shares
19	Reserves
20	Segment information
21	Distribution costs
22	Employee benefit expenses
23	Expenses by nature
24	Income tax expense
25	Promotional privileges
26	Basic earnings per share
27	Dividends
28	Financial instruments
29	Commitments with non-related parties
30	Events after the reporting period
31	Reclassification of accounts

These notes form an integral part of the financial statements.

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, and were approved and authorised for issue by the Board of Directors on 23 February 2018.

1 General information

Hwa Fong Rubber (Thailand) Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 317 Moo 4, Soi 6C, Bangpoo Industrial Estate, Amphur Muang, Samutprakarn.

The Company was listed on the Stock Exchange of Thailand in 2002.

The immediate parent company during the financial year was Hwa Fong Rubber Ind. Co., Ltd., which was incorporated in Taiwan.

The principal activities of the Group and the Company are manufacturing and distribution of tires and tubes for bicycles, motorcycles and small logistics vehicles. Details of the Company’s associates and subsidiaries as at 31 December 2017 and 2016 are given in notes 10 and 11.

2 Basis of preparation of the financial statements

(a) Statement of compliance

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

The FAP has issued revised TFRS effective for annual accounting periods beginning on or after 1 January 2017. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above revised TFRS, the FAP has issued a number of other revised TFRS which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements. The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale investments	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (k)

(c) *Functional and presentation currency*

The financial statements are presented in Thai Baht, which is the Company's functional currency.

(d) *Use of judgements and estimates*

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) *Assumptions and estimation uncertainties*

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements is included in the following notes:

Note 7	Measurement of allowance for doubtful accounts
Note 9	Measurement of net realisable value of inventories; and
Note 16	Measurement of defined benefit obligations: key actuarial assumptions

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of shareholders’ equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

(c) *Cash and cash equivalents*

Cash and cash equivalents in the statement of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

(d) *Trade and other accounts receivable*

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(f) Investments*Investments in associates and subsidiaries*

Investments in associates and subsidiaries in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

Investments in equity securities

Marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid priced at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to carrying value of the total holding of the investment.

(g) Property, plant and equipment*Recognition and measurement**Owned assets*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset and 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. 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.

Any 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 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 Group, 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. The estimated useful lives are as follows:

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment

The carrying amounts of the Group'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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the assets' 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

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

(i) Interest-bearing liabilities

Interest-bearing liabilities are recognised at cost.

(j) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(k) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as

a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Repurchase of share capital (treasury shares)

When share capital recognised as shareholders' equity is repurchased, the amount of consideration paid, including directly attributable costs, is classified as treasury shares and recognised as a deduction from shareholders' equity. An equal amount is appropriated from retained earnings and taken to a reserve for treasury shares within shareholders' equity. When treasury shares are sold, the amount received is recognised as an increase in shareholders' 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 back from reserve for treasury shares to retained earnings. Surpluses on the sale of treasury shares are taken directly to a separate category within shareholders' 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.

(n) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Sale of goods

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Dividend income

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

Interest and other income

Interest and other income are recognised in profit or loss as they accrue.

(o) Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred.

(p) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period, adjusted for own shares held.

(s) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments in associates and deferred tax assets.

4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with associates and subsidiaries are described in notes 10 and 11. Relationship with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai and Taiwanese	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group
Sumitomo Rubber Industries Limited	Japan	Parent company's shareholder
Hwa Fong Rubber Ind. Co., Ltd.	Taiwan	Parent
Hwa Fong Rubber (U.S.A.) Inc.	United States of America	Subsidiary of parent
Hwa Zhong (B.V.I.) Holding Corp.	China	Subsidiary of parent
HFR Holding Corp.	British Virgin Islands	Subsidiary of parent
Hwa Fong Rubber (Hong Kong) Ltd.	China	Subsidiary of parent
Hwa Fong Rubber (Singapore) Holding Pte Ltd.	Singapore	Subsidiary of parent
Sino Hwa Fong Enterprise Co., Ltd.	Taiwan	Subsidiary of parent
Sino Hwa Fong Biotechnology Co., Ltd.	Taiwan	Subsidiary of parent
Hwa Fong Rubber (Suzhou) Co., Ltd.	China	Indirect subsidiary of parent
Hwa Fong Rubber (China) Co., Ltd.	China	Shareholding by parent

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods	Market price
Dividend income	As announced in the minute of shareholders' meeting
Purchase of raw material and merchandise goods	Market price
Purchase of equipment	Market price
Technical assistance expense	Contractually agreed price
Trademark usage expense	Contractually agreed price
Tread pattern right expense	Contractually agreed price
Other expenses	Contractually agreed price
Management fee	Amount approved by the directors and/or the shareholders

Significant transactions for the years ended 31 December with related parties were as follows:

Year ended 31 December	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Sale of goods	16,951	5,724	16,698	5,724
Purchase of raw material and merchandise goods	12,379	16,915	12,379	16,915
Purchase of equipment	2,287	2,777	2,287	2,777
Technical assistance expense	3,434	3,591	3,434	3,591
Trademark usage expense	6,521	6,284	6,521	6,284
Tread pattern right expense	1,202	1,241	1,202	1,241
Other expenses	6,658	5,154	6,658	5,154
Associate				
Sale of goods	30,095	38,555	30,095	38,555
Dividend income	-	-	599	559
Other related parties				
Sale of goods	117,490	103,241	117,490	103,241
Purchases of raw material and merchandise goods	-	489	-	489
Purchase of equipment	560	526	560	526
Trademark usage expense	2,489	2,745	2,489	2,745
Other expenses	1,708	932	1,708	932
Key management personnel compensation				
Short-term employee benefit	13,349	14,941	13,349	14,941
Post-employment benefits	140	123	140	123
Total key management personnel compensation	<u>13,489</u>	<u>15,064</u>	<u>13,489</u>	<u>15,064</u>

Balances as at 31 December with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	2,693	1,360	2,693	1,360
Associate				
The Ascent (Thailand) Co., Ltd.	5,885	10,096	5,885	10,096
Other related parties				
Hwa Fong Rubber (U.S.A.) Inc.	19,301	18,440	19,301	18,440
Hwa Fong Rubber (China) Ltd.	4,219	2,462	4,219	2,462
Sumitomo Rubber Industries limited	3,342	158	3,342	158
Hwa Fong Rubber (Hong Kong) Ltd.	1,342	1,394	1,342	1,394
Total	36,782	33,910	36,782	33,910
<i>Trade accounts payable - related parties</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	3,104	2,772	3,104	2,772
Total	3,104	2,772	3,104	2,772
<i>Other current payables - related parties</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	8,009	6,144	8,009	6,144
Associate				
The Ascent (Thailand) Co., Ltd.	69	-	69	-
Other related parties				
Sumitomo Rubber Industries Limited	1,490	1,229	1,490	1,229
Hwa Fong Rubber (China) Co., Ltd.	38	478	38	478
Hwa Fong Rubber (U.S.A.) Inc.	-	360	-	360
Total	9,606	8,211	9,606	8,211

Significant agreements with related parties***Technical assistance agreement***

On 1 January 2011, the Company entered into an agreement with a parent company to grant technical assistance, etc., whereby the Company committed to pay a technical assistance fee of USD 100,000 per annum. The agreement is for a period of three (3) years and shall be automatically extended for each additional one (1) year period, unless either party gives the written notice of termination ninety (90) days before expiration date.

Trademarks license agreements

- a) On 27 August 2005, the Company entered into an agreement with a parent company to grant right to use its trademarks to manufacture certain products as specific in the agreement, whereby the Company committed to pay a license fee equal to 0.5% of the selling prices of the products sold. The agreement is for a period of three (3) years and shall be automatically renewed on a year-to-year basis, unless either party gives the written notice of termination thirty (30) days before expiration date.
- b) On 24 September 2003, the Company entered into an agreement with a parent company's shareholder to grant right to use trademark, whereby the Company committed to pay a license fee of 1.5% - 3% of the selling prices of the products sold. The term of the agreement is 3 years and shall be automatically renewed and extended on a three (3) years basis, unless either party gives the written notice of termination at least three (3) months prior to the expiration date.

Tread pattern right agreement

On 1 May 2011, the Company entered into an agreement with a parent company to grant tread pattern right for production and selling of certain products as specified in the agreement, whereby the Company committed to pay an initial fee in the amount of USD 15,000 in 2011 and an annual fee in the amount of USD 30,000 totalling USD 165,000. The term of the agreement is 5 years. On 1 January 2016, the Company agreed to extend and amend the agreement, whereby the Company committed to pay the annual fee in the amount of USD 35,000. The agreement was extended for an additional three years until 31 December 2018.

5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Cash on hand	285	277	279	258
Cash at banks - current accounts	3,235	2,413	3,214	2,510
Cash at banks - savings accounts	592,289	795,298	500,392	781,816
Highly liquid short-term investments	250,000	140,000	250,000	140,000
Cash and cash equivalents in the statement of financial position	845,809	937,988	753,885	924,584

6 Other investments

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<i>Current investments</i>				
Bills of exchange	-	200,000	-	200,000
Equity security available for sale	9,723	10,205	-	-
	<u>9,723</u>	<u>210,205</u>	<u>-</u>	<u>200,000</u>
<i>Other long-term investment</i>				
Equity security available for sale	41,120	56,293	-	-
	<u>41,120</u>	<u>56,293</u>	<u>-</u>	<u>-</u>
Total	<u>50,843</u>	<u>266,498</u>	<u>-</u>	<u>200,000</u>

Movements during the years ended 31 December of marketable equity securities were as follows:

	Consolidated financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Current investment</i>		
<i>Available-for-sale security</i>		
At 1 January	10,205	5,728
Purchases during the year	3,052	5,735
Sales during the year	-	(677)
Valuation adjustment	(3,534)	(581)
At 31 December	<u>9,723</u>	<u>10,205</u>
<i>Other long-term investment</i>		
<i>Available-for-sale security</i>		
At 1 January	56,293	33,299
Valuation adjustment	(15,173)	22,994
At 31 December	<u>41,120</u>	<u>56,293</u>

7 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Related parties	4	36,782	33,910	36,782	33,910
Other parties		648,711	576,816	648,711	576,816
Total		<u>685,493</u>	<u>610,726</u>	<u>685,493</u>	<u>610,726</u>
<i>Less allowance for doubtful accounts</i>		(163,775)	(173,512)	(163,775)	(173,512)
Net		<u>521,718</u>	<u>437,214</u>	<u>521,718</u>	<u>437,214</u>
(Reversal of) bad and doubtful debts expense for the year		<u>(9,737)</u>	<u>173,212</u>	<u>(9,737)</u>	<u>173,212</u>

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	32,029	33,687	32,029	33,687
Overdue:				
Less than 3 months	3,410	223	3,410	223
3 - 6 months	1,343	-	1,343	-
	<u>36,782</u>	<u>33,910</u>	<u>36,782</u>	<u>33,910</u>
<i>Less allowance for doubtful accounts</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>36,782</u>	<u>33,910</u>	<u>36,782</u>	<u>33,910</u>
Other parties				
Within credit terms	452,695	387,276	452,695	387,276
Overdue:				
Less than 3 months	35,121	28,853	35,121	28,853
3 - 6 months	5	1	5	1
6 - 12 months	667	160,410	667	160,410
Over 12 months	160,223	276	160,223	276
	<u>648,711</u>	<u>576,816</u>	<u>648,711</u>	<u>576,816</u>
<i>Less allowance for doubtful accounts</i>	<u>(163,775)</u>	<u>(173,512)</u>	<u>(163,775)</u>	<u>(173,512)</u>
	<u>484,936</u>	<u>403,304</u>	<u>484,936</u>	<u>403,304</u>
Net	<u>521,718</u>	<u>437,214</u>	<u>521,718</u>	<u>437,214</u>

The normal credit terms granted by the Group ranges from 30 to 90 days.

During the second quarter of 2016, the Group filed a lawsuit against Yoko Alloy Wheel Company Limited, to enforce its obligation under sale contract after deduction of trade discounts, amounting to Baht 160 million. As a result, the Group set up the allowance for doubtful accounts of such receivable amounting to Baht 160 million.

As at 31 December 2017, the lawsuit was finalised with the favourable judgement to the Group. Currently, the Group is in the process of enforcement of debtor to pay by legal execution department. However, the recoverability of such receivable was still uncertain.

8 Other current receivables

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Revenue Department receivable	25,276	19,481	25,213	19,392
Advance payment to suppliers	15,377	7,831	15,279	7,725
Refundable import duty	5,291	5,396	5,291	5,396
Others	8,425	11,617	8,356	8,017
	<u>54,369</u>	<u>44,325</u>	<u>54,139</u>	<u>40,530</u>
<i>Less</i> allowance for doubtful accounts	<u>(1,409)</u>	<u>(1,309)</u>	<u>(1,409)</u>	<u>(1,309)</u>
Net	<u>52,960</u>	<u>43,016</u>	<u>52,730</u>	<u>39,221</u>
 (Reversal of) bad and doubtful debts expense for the year	 <u>530</u>	 <u>(1,527)</u>	 <u>530</u>	 <u>(1,527)</u>

9 Inventories

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Finished goods	202,853	174,274	202,853	174,274
Work in progress	35,004	27,880	35,004	27,880
Raw materials	221,959	149,411	221,959	149,411
Spare parts and supplies	50,769	49,329	50,769	49,329
Merchandise goods	441	2,248	310	1,578
Goods in transit	34,791	42,134	34,791	42,134
Net	<u>545,817</u>	<u>445,276</u>	<u>545,686</u>	<u>444,606</u>
 Inventories recognised as an expense in 'cost of sale of goods':				
- Cost	2,150,878	1,731,210	2,150,307	1,731,123
- Reversal of write-down to net realisable value	<u>(3,888)</u>	<u>(5,000)</u>	<u>(3,888)</u>	<u>(5,000)</u>
Net total	<u>2,146,990</u>	<u>1,726,210</u>	<u>2,146,419</u>	<u>1,726,123</u>

10 Investments in associates

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
At 1 January	21,136	21,673	20,388	20,388
Share of net profit (loss) of associates	(2,086)	22	-	-
Dividend income	(559)	(559)	-	-
Currency translation	35	-	-	-
At 31 December	<u>18,526</u>	<u>21,136</u>	<u>20,388</u>	<u>20,388</u>

During the year ended 31 December 2017, there was no acquisition and disposal of investments in associates.

Investments in associates as at 31 December 2017 and 2016, and dividend income from those investments for the years then ended, were as follows:

Name of associate	Type of business	Country of incorporation	Consolidated financial statements									
			Ownership interest		Paid-up capital		Cost		Equity		Dividend income	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
			(%)		(in thousand Baht)							
			Associates									
The Ascent (Thailand) Company Limited	(1)	Thailand	43	43	THB 20,000,000	THB 20,000,000	8,600	8,600	8,994	10,230	559	559
CHITAL INTERNATIONAL TRADING CO., LTD.	(2)	Taiwan	45	45	TWD 25,000,000	TWD 25,000,000	11,788	11,788	9,532	10,906	-	-
Total							20,388	20,388	18,526	21,136	559	559

(1) Trading of bicycles and motorcycles

(2) Trading of bicycles, motorcycles and tires including related spare parts

None of the Group's associates are publicly listed and consequently do not have published price quotations.

Name of associate	Separate financial statements											
	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)		(in thousand Baht)									
Associates												
The Ascent (Thailand) Company Limited	43	43	THB 20,000,000	THB 20,000,000	8,600	8,600	-	-	8,600	8,600	559	559
CHITAL INTERNATIONAL TRADING CO., LTD.	45	45	TWD 25,000,000	TWD 25,000,000	11,788	11,788	-	-	11,788	11,788	-	-
Total					20,388	20,388	-	-	20,388	20,388	559	559

None of the Company's associates are publicly listed and consequently do not have published price quotations.

Associates

The following table summarises the financial information of the associates as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies

	The Ascent (Thailand) Company Limited		CHITAL INTERNATIONAL TRADING CO., LTD.	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Revenue	40,316	47,185	5,718	3,755
Profit (loss) from continuing operations	(1,574)	1,982	(3,132)	(1,845)
Total comprehensive income (100%)	(1,574)	1,982	(3,132)	(1,845)
Total comprehensive income of the Group's interest	(677)	852	(1,409)	(830)
Group's share of total comprehensive income	(677)	852	(1,409)	(830)
Current assets	27,440	36,486	20,210	23,623
Non-current assets	49	51	4,691	4,001
Current liabilities	(6,573)	(12,747)	(3,719)	(1,303)
Non-current liabilities	-	-	-	(2,085)
Net assets (100%)	20,916	23,790	21,182	24,236
Group's share of net assets	8,994	10,230	9,532	10,906
Carrying amount of interest in associates	8,994	10,230	9,532	10,906

11 Investments in subsidiaries

	Separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	100,000	100,000
Acquisitions	346,698	-
Allowance for impairment	(34,443)	-
At 31 December	<u>412,255</u>	<u>100,000</u>

Acquisition

On 7 February 2017, the Company invested in 99% of ordinary shares of PT Hwa Fong Rubber Indonesia, a newly incorporated company in Indonesia, amounting to IDR 131,888 million (divided into 9.90 million shares at IDR 13,322 per share).

Investment in subsidiaries as at 31 December 2017 and 2016, and dividend income from these investments for the years then ended, were as follows:

Name of subsidiary	Type of Business	Separate financial statements											
		Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(%)											
		(in thousand Baht)											
H F T Holding Company Limited	(1)	99.99	99.99	THB 100,000,000	THB 100,000,000	100,000	100,000	34,443	-	65,557	100,000	-	-
PT Hwa Fong Rubber Indonesia	(2)	99.00	-	IDR 133,220,000,000	-	346,698	-	-	-	346,698	-	-	-
Total						446,698	100,000	34,443	-	412,255	100,000	-	-

(1) Investment in bonds and securities, wholesale and retail trading of tires and tubes and equipment

(2) Manufacture and distribution of tire and tube for bicycle and motorcycle

None of the Company's subsidiaries are publicly listed and consequently do not have published price quotations.

12 Property, plant and equipment

	Consolidated financial statements						Total
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Assets under construction and installation	
Cost							
At 1 January 2016	112,152	387,646	1,909,112	18,805	73,893	40,616	2,542,224
Additions	-	842	6,822	1,387	3,434	56,089	68,574
Transfers	-	8,104	80,884	-	29	(89,017)	-
Disposals	-	-	(57,494)	(457)	-	-	(57,951)
At 31 December 2016 and 1 January 2017	112,152	396,592	1,939,324	19,735	77,356	7,688	2,552,847
Additions	182,801	6,716	8,264	1,431	7,850	191,059	398,121
Transfers	-	1,347	50,205	70	1,299	(52,921)	-
Disposals	-	-	(22,427)	(2,086)	(29)	-	(24,542)
Effect of movements in exchange rates	(6,839)	-	-	-	-	(10,846)	(17,685)
At 31 December 2017	288,114	404,655	1,975,366	19,150	86,476	134,980	2,908,741
Depreciation							
At 1 January 2016	-	168,348	1,495,585	14,389	50,220	-	1,728,542
Depreciation charge for the year	-	10,851	63,435	1,158	4,054	-	79,498
Disposals	-	-	(55,782)	(457)	-	-	(56,239)
At 31 December 2016 and 1 January 2017	-	179,199	1,503,238	15,090	54,274	-	1,751,801
Depreciation charge for the year	-	10,999	63,388	1,285	4,870	-	80,542
Disposals	-	-	(20,465)	(989)	(29)	-	(21,483)
At 31 December 2017	-	190,198	1,546,161	15,386	59,115	-	1,810,860
Net book value							
At 1 January 2016	112,152	219,298	413,527	4,416	23,673	40,616	813,682
At 31 December 2016 and 1 January 2017	112,152	217,393	436,086	4,645	23,082	7,688	801,046
At 31 December 2017	288,114	214,457	429,205	3,764	27,361	134,980	1,097,881

	Separate financial statements						Total
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Assets under construction and installation	
Cost							
At 1 January 2016	112,152	387,646	1,909,112	18,750	73,893	40,616	2,542,169
Additions	-	842	6,822	1,387	3,434	56,089	68,574
Transfers	-	8,104	80,884	-	29	(89,017)	-
Disposals	-	-	(57,494)	(457)	-	-	(57,951)
At 31 December 2016 and 1 January 2017	112,152	396,592	1,939,324	19,680	77,356	7,688	2,552,792
Additions	-	6,716	8,264	1,431	7,850	110,993	135,254
Transfers	-	1,347	50,205	70	1,299	(52,921)	-
Disposals	-	-	(22,427)	(2,086)	(29)	-	(24,542)
At 31 December 2017	112,152	404,655	1,975,366	19,095	86,476	65,760	2,663,504
Depreciation							
At 1 January 2016	-	168,348	1,495,585	14,380	50,220	-	1,728,533
Depreciation charge for the year	-	10,851	63,435	1,152	4,054	-	79,492
Disposals	-	-	(55,782)	(457)	-	-	(56,239)
At 31 December 2016 and 1 January 2017	-	179,199	1,503,238	15,075	54,274	-	1,751,786
Depreciation charge for the year	-	10,999	63,388	1,279	4,870	-	80,536
Disposals	-	-	(20,465)	(989)	(29)	-	(21,483)
At 31 December 2017	-	190,198	1,546,161	15,365	59,115	-	1,810,839
Net book value							
At 1 January 2016	112,152	219,298	413,527	4,370	23,673	40,616	813,636
At 31 December 2016 and 1 January 2017	112,152	217,393	436,086	4,605	23,082	7,688	801,006
At 31 December 2017	112,152	214,457	429,205	3,730	27,361	65,760	852,665

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at 31 December 2017 amounted to Baht 1,289.12 million (2016: Baht 1,252.98 million).

13 Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	2017	2016	2017	2016
		(in thousand Baht)		
Total	30,940	38,765	(2,640)	(2,294)
Set off of tax	(2,640)	(2,294)	2,640	2,294
Net deferred tax assets (liabilities)	28,300	36,471	-	-

	Separate financial statements			
	Assets		Liabilities	
	2017	2016	2017	2016
		(in thousand Baht)		
Total	30,940	34,773	(2,640)	(2,294)
Set off of tax	(2,640)	(2,294)	2,640	2,294
Net deferred tax assets (liabilities)	28,300	32,479	-	-

Movements in total deferred tax assets and liability during the year were as follows:

	Consolidated financial statements		
	(Charged) / credited to		
	At 1 January 2017	Profit or loss	Other comprehensive income
		(in thousand Baht)	
			At 31 December 2017
Deferred tax assets			
Marketable securities (increase in fair value)	2,532	-	(2,532)
Accounts receivable (doubtful accounts)	23,132	(1,682)	-
Other current receivables (doubtful accounts)	240	7	-
Inventories (allowance for decline in value)	2,554	(826)	-
Employee benefit obligations	5,421	887	-
Provisions (general)	3,426	(2,219)	-
Loss carry forward	1,460	(1,460)	-
Total	38,765	(5,293)	(2,532)
Deferred tax liability			
Property, plant and equipment (depreciation gap)	(2,294)	(346)	-
Total	(2,294)	(346)	-
Net	36,471	(5,639)	(2,532)

	At 1 January 2016	Consolidated financial statements (Charged) / credited to		At 31 December 2016
		Profit or loss (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Marketable securities (<i>increase in fair value</i>)	7,014	-	(4,482)	2,532
Accounts receivable (<i>doubtful accounts</i>)	60	23,072	-	23,132
Other current receivables (<i>doubtful accounts</i>)	577	(337)	-	240
Inventories (<i>allowance for decline in value</i>)	3,600	(1,046)	-	2,554
Employee benefit obligations	4,538	758	125	5,421
Provisions (<i>general</i>)	1,459	1,967	-	3,426
Loss carry forward	-	1,460	-	1,460
Total	17,248	25,874	(4,357)	38,765
Deferred tax liability				
Property, plant and equipment (<i>depreciation gap</i>)	(1,922)	(372)	-	(2,294)
Total	(1,922)	(372)	-	(2,294)
Net	15,326	25,502	(4,357)	36,471
Separate financial statements				
	At 1 January 2017	(Charged) / credited to		At 31 December 2017
		Profit or loss (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Accounts receivable (<i>doubtful accounts</i>)	23,132	(1,682)	-	21,450
Other current receivables (<i>doubtful accounts</i>)	240	7	-	247
Inventories (<i>allowance for decline in value</i>)	2,554	(826)	-	1,728
Employee benefit obligations	5,421	887	-	6,308
Provisions (<i>general</i>)	3,426	(2,219)	-	1,207
Total	34,773	(3,833)	-	30,940
Deferred tax liability				
Property, plant and equipment (<i>depreciation gap</i>)	(2,294)	(346)	-	(2,640)
Total	(2,294)	(346)	-	(2,640)
Net	32,479	(4,179)	-	28,300

		Separate financial statements (Charged) / credited to		
	At 1 January 2016	Profit or loss	Other comprehensive income	At 31 December 2016
		(in thousand Baht)		
Deferred tax assets				
Accounts receivable (<i>doubtful accounts</i>)	60	23,072	-	23,132
Other current receivables (<i>doubtful accounts</i>)	577	(337)	-	240
Inventories (<i>allowance for decline in value</i>)	3,600	(1,046)	-	2,554
Employee benefit obligations	4,538	758	125	5,421
Provisions (<i>general</i>)	1,459	1,967	-	3,426
Total	10,234	24,414	125	34,773
Deferred tax liability				
Property, plant and equipment (<i>depreciation gap</i>)	(1,922)	(372)	-	(2,294)
Total	(1,922)	(372)	-	(2,294)
Net	8,312	24,042	125	32,479

14 Trade accounts payable

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
Related parties	4	3,104	2,772	3,104	2,772
Other parties		187,138	172,211	186,978	172,173
Total		190,242	174,983	190,082	174,945

15 Other current payables

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
Related parties	4	<u>9,606</u>	<u>8,211</u>	<u>9,606</u>	<u>8,211</u>
Others					
Accrued operating expenses		73,313	64,496	73,313	64,496
Payables for purchase of plant and equipment		<u>9,623</u>	<u>1,832</u>	<u>9,623</u>	<u>1,832</u>
Total		92,542	74,539	92,542	74,539

16 Non-current provisions for employee benefits

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Statement of financial position				
Non-current provisions for:				
Post-employment benefits	<u>32,850</u>	<u>27,715</u>	<u>32,850</u>	<u>27,715</u>
Year ended 31 December				
Statement of comprehensive income:				
Recognised in profit or loss:				
Post-employment benefits	<u>5,135</u>	<u>4,401</u>	<u>5,135</u>	<u>4,401</u>
Recognised in other comprehensive income:				
Actuarial losses recognised in the year	-	626	-	626
Cumulative actuarial losses recognised	<u>626</u>	<u>626</u>	<u>626</u>	<u>626</u>

Defined benefit plan

The Group and the Company operate a defined benefit plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

Movement in the present value of the defined benefit obligations:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
At 1 January	27,715	22,688	27,715	22,688
Include in profit or loss:				
Current service costs	4,384	3,767	4,384	3,767
Interest on obligation	<u>751</u>	<u>634</u>	<u>751</u>	<u>634</u>
	<u>5,135</u>	<u>4,401</u>	<u>5,135</u>	<u>4,401</u>
Included in other comprehensive income				
Actuarial loss	-	626	-	626
	<u>-</u>	<u>626</u>	<u>-</u>	<u>626</u>
At 31 December	<u>32,850</u>	<u>27,715</u>	<u>32,850</u>	<u>27,715</u>

Actuarial gains and losses recognised in other comprehensive income arising from:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Demographic assumptions	-	(1,818)	-	(1,818)
Financial assumptions	-	(757)	-	(757)
Experience adjustment	-	1,949	-	1,949
Total	-	(626)	-	(626)

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(%)</i>			
Discount rate	2.72	2.72	2.72	2.72
Future salary increases	3.00 - 3.50	3.00 - 3.50	3.00 - 3.50	3.00 - 3.50
Employee turnover rate	0 - 48	0 - 48	0 - 48	0 - 48
Retirement age (year)	60	60	60	60

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2017, the weighted-average duration of the defined benefit obligation was 10.90 years (2016: 10.90 years)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
	<i>(in thousand Baht)</i>			
At 31 December 2017				
Discount rate (1% movement)	(2,887)	3,315	(2,887)	3,315
Future salary growth (1% movement)	3,520	(3,065)	3,520	(3,065)
Turnover rate (1% movement)	(3,084)	1,026	(3,084)	1,026
At 31 December 2016				
Discount rate (1% movement)	(2,548)	2,932	(2,548)	2,932
Future salary growth (1% movement)	2,823	(2,470)	2,823	(2,470)
Turnover rate (1% movement)	(2,725)	927	(2,725)	927

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

17 Share capital

	Par value per share (in Baht)	2017 Number Baht (thousand shares / thousand Baht)		2016 Number Baht (thousand shares / thousand Baht)	
Authorised					
At 1 January					
- ordinary shares	1	<u>658,434</u>	<u>658,438</u>	<u>658,434</u>	<u>658,434</u>
At 31 December					
- ordinary shares	1	<u>658,434</u>	<u>658,438</u>	<u>658,434</u>	<u>658,434</u>
Issued and paid					
At 1 January					
- ordinary shares	1	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>
At 31 December					
- ordinary shares	1	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

18 Surplus on treasury shares

The surplus on treasury shares represents the accumulated surplus on sale of treasury shares, net of any deficits on sale or cancellation of treasury shares. The surplus on treasury shares is not available for dividend distribution.

19 Legal Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of shareholders' equity

Currency translation differences

The currency translation differences account within shareholders' equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account within shareholders' equity comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

20 Segment information

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions are managed separately because they require different strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- *Segment 1* Sale of goods
- *Segment 2* Investing

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments:

	Sale of goods		Investing		Total	
	2017	2016	2017	2016	2017	2016
	<i>(in thousand Baht)</i>					
External revenue	2,730,997	2,534,995	-	-	2,730,997	2,534,995
Investment income	-	-	1,097	244	1,097	244
Unallocated amounts					16,424	23,658
Total segment revenue					2,748,518	2,558,897
Segment profit (loss) before income tax	<u>353,325</u>	<u>416,211</u>	<u>(32,373)</u>	<u>215</u>	<u>320,952</u>	<u>416,426</u>
Segment assets as at 31 December	3,078,193	2,880,290	69,369	87,634	3,147,562	2,967,924
Unallocated amounts					14,802	21,232
Consolidated total assets					3,162,364	2,989,156
Segment liabilities as at 31 December	431,074	430,640	-	-	431,074	430,640

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographical location of the assets.

Geographical information

	Revenues		Non-current assets	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Thailand	1,016,972	950,027	890,503	848,257
Asia	1,145,270	931,641	295,834	67,199
Europe	290,123	344,953	-	-
America	235,665	250,190	-	-
Others	42,967	58,184	-	-
Total	2,730,997	2,534,995	1,186,337	915,456

Major customer

Revenue from one customer of the Group's 1 segment represents approximately Baht 513.19 million (2016: Baht 335.91 million) of the Group's total revenues.

21 Distribution costs

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Packing expenses	69,442	70,091	69,442	70,091
Distribution expenses	48,631	41,250	48,628	41,250
Promotional expenses	16,547	25,219	16,527	25,219
Employee benefit expenses	18,796	18,218	18,796	18,218
Trademark usage expense	9,010	9,029	9,010	9,029
Others	16,182	15,695	16,153	15,665
Total	178,608	179,502	178,556	179,472

22 Employee benefit expenses

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Wages, salaries and bonus	453,337	421,835	452,836	421,835
Defined benefit plan	5,135	4,401	5,135	4,401
Defined contribution plan	548	553	548	553
Others	26,846	22,133	26,846	22,133
Total	485,866	448,922	485,365	448,922

Defined contribution plan

The defined contribution plan comprise a provident fund established by the Group for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 4% of their basic salaries and by the Group at rates ranging from 2% to 4% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entities and is managed by a licensed Fund Manager.

23 Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Changes in inventories of finished goods and work in progress	(31,000)	(16,637)	(31,000)	(16,637)
Raw materials and consumables used	1,397,470	1,046,554	1,397,470	1,046,554
Merchandise goods purchase for sale	6,660	10,847	6,089	10,760
Employee benefit expenses	485,866	448,922	485,365	448,922
Utilities expenses	158,925	135,877	158,925	135,877
Depreciation	80,542	79,498	80,536	79,492
Packing expenses	69,442	70,091	69,442	70,091
Distribution expenses	48,631	41,250	48,628	41,250
Repair and maintenance	36,865	31,244	36,865	31,244
Impairment losses on investments	31,364	-	34,443	-
Promotional expenses	16,547	25,219	16,527	25,219
Others	120,978	97,669	389,814	97,275
Total cost of sales of goods, distribution costs and administrative expenses	2,422,290	1,970,534	2,693,104	1,970,047

24 Income tax expense*Income tax recognised in profit or loss*

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		59,450	103,648	59,450	103,648
Adjustment for prior years		215	523	215	523
		59,665	104,171	59,665	104,171
Deferred tax expense					
Movements in temporary differences	13	5,639	(25,502)	4,179	(24,042)
Total income tax expense		65,304	78,669	63,844	80,129

Income tax recognised in other comprehensive income

	Consolidated financial statements					
	Before tax	2017 Tax (expense) benefit	Net of tax (in thousand Baht)	Before tax	2016 Tax (expense) benefit	Net of tax
Available-for-sale financial assets	(12,658)	2,532	(10,126)	22,411	(4,482)	17,929
Defined benefit plan actuarial losses	-	-	-	(626)	125	(501)
Total	(12,658)	2,532	(10,126)	21,785	(4,357)	17,428

	Separate financial statements					
	Before tax	2017 Tax (expense) benefit	Net of tax <i>(in thousand Baht)</i>	Before tax	2016 Tax (expense) benefit	Net of tax
Defined benefit plan actuarial losses	-	-	-	(626)	125	(501)
Total	-	-	-	(626)	125	(501)

Reconciliation of effective tax rate

Consolidated financial statements			
	Rate (%)	2017 (in thousand Baht)	2016 (in thousand Baht)
Profit before income tax expense		320,952	416,426
Income tax using the Thai corporation tax rate	20	64,190	83,285
Difference in effective tax rate in foreign jurisdiction		417	(4)
Income not subject to tax		(7,270)	(4,048)
Expenses not deductible for tax purposes		6,292	326
(Reversal of) recognition of previously unrecognised tax losses		1,460	(1,413)
Under provided in prior years		215	523
Total	20	65,304	78,669

Separate financial statements			
	Rate (%)	2017 (in thousand Baht)	2016 (in thousand Baht)
Profit before income tax expense	20	318,809	417,253
Income tax using the Thai corporation tax rate		63,762	83,451
Income not subject to tax		(7,382)	(4,168)
Expenses not deductible for tax purposes		7,249	323
Under provided in prior years		215	523
Total	20	63,844	80,129

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

25 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to manufacturing of tires and tube for motorcycles. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations; and
- (c) a 50% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (b) above.

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

Consolidated financial statements						
	2017			2016		
	Promoted businesses	Non- promoted businesses	Total	Promoted businesses	Non- promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	120,223	1,593,802	1,714,025	122,349	1,462,619	1,584,968
Local sales	250,230	766,742	1,016,972	228,860	721,167	950,027
Total revenue	370,453	2,360,544	2,730,997	351,209	2,183,786	2,534,995

Separate financial statements						
	2017			2016		
	Promoted businesses	Non- promoted businesses	Total	Promoted businesses	Non- promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	120,223	1,593,549	1,713,772	122,349	1,462,619	1,584,968
Local sales	250,230	766,341	1,016,571	228,860	721,066	949,926
Total revenue	370,453	2,359,890	2,730,343	351,209	2,183,685	2,534,894

26 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2017 and 2016 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>255,648</u>	<u>337,757</u>	<u>254,965</u>	<u>337,124</u>
Number of ordinary shares outstanding	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>	<u>658,434</u>
Basic earnings per share (in Baht)	<u>0.39</u>	<u>0.51</u>	<u>0.39</u>	<u>0.51</u>

27 Dividends

At the annual general meeting of the shareholders of the Company held on 21 April 2017, the shareholders approved the appropriation of dividend of Baht 0.10 per share, amounting to Baht 65.84 million. The dividend was paid to shareholders during 2017.

At the annual general meeting of the shareholders of the Company held on 22 April 2016, the shareholders approved the appropriation of dividend of Baht 0.20 per share, amounting to Baht 131.69 million. The dividend was paid to shareholders during 2016.

28 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board of director's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and also monitors the level of dividends to ordinary shareholders.

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
United States Dollars					
Cash and cash equivalents	5	338,177	438,771	264,673	432,992
Trade accounts receivable	7	275,135	206,951	275,135	206,951
Other current receivables	8	14,416	7,136	14,319	7,136
Trade accounts payable	14	(113,805)	(112,022)	(113,805)	(112,022)
Other current payables	15	(15,020)	(10,790)	(15,020)	(10,790)
Other current liabilities		(8,504)	(12,870)	(8,504)	(12,870)
		<u>490,399</u>	<u>517,176</u>	<u>416,798</u>	<u>511,397</u>
Taiwanese Dollars					
Cash and cash equivalents	5	112	30	112	30
Equity securities available for sale	6	50,843	66,498	-	-
Other current payable	15	(26)	-	(26)	-
		<u>50,929</u>	<u>66,528</u>	<u>86</u>	<u>30</u>
Euro					
Cash and cash equivalents	5	993	699	993	699
Trade accounts receivable	7	28,844	15,395	28,844	15,395
Other current payables	15	(305)	(31)	(305)	(31)
Other current liabilities		(887)	(142)	(887)	(142)
		<u>28,645</u>	<u>15,921</u>	<u>28,645</u>	<u>15,921</u>
Indonesians Rupiah					
Cash and cash equivalents	5	10,530	-	-	-
Accrued expense		(1,302)	-	-	-
Other current liabilities		(8)	-	-	-
		<u>9,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
Japanese Yen					
Cash and cash equivalents	5	16	12	16	12
Other current payables	15	(1,489)	(1,229)	(1,489)	(1,229)
		<u>(1,473)</u>	<u>(1,217)</u>	<u>(1,473)</u>	<u>(1,217)</u>
Chinese Yuan Renminbi					
Cash and cash equivalents	5	1,857	1,910	1,857	1,910
Others					
Cash and cash equivalents	5	9	6	6	4
Total exposure		<u>579,586</u>	<u>600,324</u>	<u>445,919</u>	<u>528,045</u>

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position. However, due to the large number of parties comprising the Group's customer base, management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Consolidated financial statements			
		Fair value			Total
		Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>			
31 December 2017					
<i>Financial assets measured at fair value</i>					
<i>Current</i>					
Equity security available for sale	9,723	9,723	-	-	9,723
<i>Non-current</i>					
Equity security available for sale	41,120	41,120	-	-	41,120
31 December 2016					
<i>Financial assets measured at fair value</i>					
<i>Current</i>					
Equity security available for sale	10,205	10,205	-	-	10,205
<i>Non-current</i>					
Equity security available for sale	56,293	56,293	-	-	56,293

29 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
Capital commitments				
<i>Contracted but not provided for</i>				
Land	196,696	-	196,696	-
Building	86,703	-	86,703	-
Machinery and equipment	13,017	8,286	13,017	8,286
Total	296,416	8,286	296,416	8,286
Future minimum lease payments under non-cancellable operating leases				
Within one year	2,330	2,474	2,330	2,474
After one year but within five years	235	666	235	666
Total	2,565	3,140	2,565	3,140
Other commitments				
Purchase orders for raw materials	234,020	262,971	234,020	262,971
Bank guarantees	22,690	22,690	22,690	22,690
Total	256,710	285,661	256,710	285,661

As at 31 December 2017, the Company entered into several rental agreements covering its office equipments and other utility expenses for periods ranging from one (1) to four (4) years ending on various dates up to May 2020.

As at 31 December 2017, the Company had commitments of approximately Baht 103.15 million and USD 3.98 million, relating to purchases of raw materials.

As at 31 December 2017, the Company had commitments in respect of letters of guarantee issued by a local financial institution and a branch of a foreign financial institution for purchase of natural gas, electricity usage and others.

30 Events after the reporting period

At the Board of Directors' meeting held on 23 February 2018, the Board approved the appropriation of dividend of Baht 0.06 per share, amounting to Baht 39.51 million. The dividend payment shall be approved by its shareholders at the annual general meeting of shareholders of the Company in April 2018. In addition, the Board also approved the registration of dissolution of its associates which are The Ascent (Thailand) Co., Ltd and CHITAL INTERNATIONAL TRADING CO., LTD. and postponed the investment in Indonesia.

31 Reclassification of accounts

Certain accounts in the 2016 financial statements have been reclassified to conform to the presentation in the 2017 financial statements as follows:

	2016					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass. (in thousand Baht)	Before reclass.	Reclass.	After reclass.
<i>Statement of financial position as at 31 December 2016</i>						
Current investments	200,000	10,205	210,205	-	-	-
Investment in equity security available for sale	10,205	(10,205)	-	-	-	-
Advance payments for purchase of property, plant and equipment	4,051	(4,051)	-	4,051	(4,051)	-
Property, plant and equipment	796,995	<u>4,051</u>	801,046	796,955	<u>4,051</u>	801,006
		<u>-</u>			<u>-</u>	

The reclassification have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.



บริษัท ฮั่วฟงrubber (ไทยแลนด์) จำกัด (มหาชน)
HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED

HEAD OFFICE

317 Moo 4, Soi 6C, Bangpoo Industrial Estate
Phreaksa Sub-district, Muang Samutprakarn District
Samutprakarn Province 10280
Tel : (66)2-7096580 Fax : (66)2-7096589

Branch Office

865/1 Moo 4, Soi11B Bangpoo Industrial Estate
Phreaksa Sub-district, Muang Samutprakarn District
Samutprakarn Province 10280
Tel : (66)2-3240518 Fax : (66)2-3240519

สำนักงานใหญ่

317 หมู่4 ซอย 6ซี นิคมอุตสาหกรรมบางปู
ตำบลแพรกษา อำเภอเมืองสมุทรปราการ
จังหวัดสมุทรปราการ 10280
โทรศัพท์ : 0-2709-6580 โทรสาร : 0-2709-6589

สำนักงานสาขา

865/1 หมู่4 ซอย 11บี นิคมอุตสาหกรรมบางปู
ตำบลแพรกษา อำเภอเมืองสมุทรปราการ
จังหวัดสมุทรปราการ 10280
โทรศัพท์ : 0-2324-0518 โทรสาร : 0-2324-0519