

ANNUAL REPORT

2018



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

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Policy and Business Overview

Hwa Fong Rubber (Thailand) Public Company Limited ("HFT") was established in 1987, with current registered capital of 658,434,300 Baht and paid up share capital of 658,434,300 Baht. Having 32 years of expertise, HFT core business are manufacturing and distributing of tires and inner tubes for bicycle, motorcycle and small logistic vehicles. The vehicles include but not only: trolleys, forklift, golf cart, and all-terrain vehicles. HFT produce products under recognizable worldwide trademark named "DURO", "Q-UICK", and "DUNLOP" owning by Sumitomo Rubber, Japan. With DURO stemmed from the technology and marketing support of Hwa Fong Rubber Industries company limited ("HFR"), Being HFT's majority shareholder, Hwa Fong Rubber Industries company limited ("HFR") is a known name in Republic of China Taiwan for its quality in manufacturing tires and inner tubes for bicycle, motorcycle, automobile, and industrial vehicle. HFR has been listed in Taiwanese Stock Market for more than 24 years. With rapport supports and more than 3 decades of experiences, HFT proudly produce excellent product with high quality, recognized globally and certified with ISO 9001-2008.

HFT's sales portion is classified by the local and international sales in the percentage of 30.99% and 69.01% 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. Moreover, HFT supplies golf tires under trademark "DURO" for golf cart manufacturers (OEM) in making of YAMAHA's golf cart. On top of OEM business, HFT has also work under the brand name "DUNLOP", "DURO", "Q-UICK" and PREMIUM HFT in 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 its network of Hwa Fong Rubber (Thailand) Public Company Limited ("HFT"), Hwa Fong Rubber Industries company limited ("HFR"), Hwa Fong (Hong Kong) Ltd. ("HFK"), Hwa Fong Rubber (U.S.A.) Inc. ("HFA") they are group companies that allow distribution to cover USA, Europe, Asia, Africa, Australia and Middle East.

For overall performance, HFT reported its revenue from sales at 2,731 Million Baht in 2017 and 2,555 Million Baht in 2018 which is a decrease of 176 Million Baht or 6.43%. The company has a decrease in sales from motorcycle tires in the amount of 129.95 Million Baht or 8.28%. This is because domestic economic was in recovering period and the decreased in crop prices that leads decrease in consumption. HFT, however, can still maintain market share of international market. In this regard the company has always been supporting of its sales and marketing. Therefore HFT is able to reach targeted customers and maintain brand awareness successfully.

In 2018, the cost of production was increased by 1.63%. The ratio of cost of sales to turn over was at 80.24% compare to 78.62% in 2017. This is due to the rise of cost in chemical, energy and labor. As for net profit the company and subsidiaries net profit can be reported at 223.71 Million Baht, a decrease from 255.65 Million Baht last year. It is 12.49% down compare to previous year, with earnings per share of 0.34 Baht.

Vision

“To be the world leader in manufacturing excellent quality tubes and rubber, to expand our excellent products throughout the world.”

Objective

Our objectives are to operate with stakeholders in mind rather than just making profit and figures. Our stakeholders are shareholders, customers, partners, employees, society, and community.

Business Goals

“To be the world leader in manufacturing excellent quality tubes and tires, to expand our excellent products throughout the world.” To realize this vision we operate under these 9 policies:

1. To pursue wider share in domestic and global markets, especially in ASEAN countries which tax exemptions becomes our advantage in gaining market share, for example countries with FTA, BIMSTEC.
2. To continuously improve our product quality and gain competitiveness by excellent quality in the long run. Using good quality product as our strategy instead of pricing strategy.
3. To incessantly increase efficiency of our production. Plan and prepare to increase capacity when the market demand grows. Forecast and adjust accordingly to market demand. Maintain competitiveness in production and cost. Deliver fast and on time.
4. To maintain HFT's reputation as the leaders in our main markets, under the support from our parent company with the DURO trademark. To be manufacturing the product under the trademark namely Q-UICK and DUNLOP from Sumitomo Rubber of Japan.
5. To expand the OEM (Original Equipment Manufacturer) market to be stronger and better.
6. To focus on gross profit margin products
7. To develop new products to serve the market demand. To satisfy the need of customers
8. To promote and reinforce the good public image of our product in the long term manner. Participate in international Expos especially in the new market such as the Middle East, Latin America and Europe.

To serve our customer's needs while being responsible and following rules for the betterment of our society. Being involve in projects for our environment and for our company, for example manufacturing environmental friendly 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 our products in compliance with the governmental standard such as ISO Standard (Thailand), SNI (Indonesia), MS (Malaysia) E-MARK and REACH and ROHS (EU Countries).

Message from the Board of Directors

2018 is a year of change for us. We have been through a lot of changes including new management team and new form of domestic sales channels.

The registration number of motorcycle for domestic market has decreased 2.9% due to the flood in southern regions of Thailand and strictness of credit approval from financial institutions. Also the reform of sales channel impacts the domestic market performance. Though the oversea market maintain its volume however the strong baht has lower the recorded revenue. This lead to the 2018 sales revenue decreased 6.43% against 2017. The management team had work their way to reduce the impact to the minimum effort.

2018 we installed a new up to date bicycle production line that will increase bicycle production capacity by 28%. This line is dedicated for the world's largest bicycle retailer. We expect this production line will contribute to the statement by mid of 2019. We are also trying to implement E-commerce into our sales channels. Thus will increase our sales revenue in the near future.

We are confident for the growth of the company. With the support from our kind shareholders, we will sustainably create value to all of you. Thank you.



Mr. Shen Kuo - Jung

Chairman of Board of Directors

Report of Audit Committee

To Shareholders

Audit Committee of Hwa Fong Rubber (Thailand) Public Company Limited consist of 4 Independent Directors as follow:

- | | |
|----------------------------------|----------------------------------------|
| 1. Mr. Hsiao, Chin - Lung | Chairman of the Audit Committee |
| 2. Mr. Monsiam Sinworapong | Independent Director / Audit Committee |
| 3. Mr. Pornthep Suratroongrojkit | Independent Director / Audit Committee |
| 4. Ms. Syuan Wen | Independent Director / Audit Committee |

In 2018 the audit committee is responsible to the board of director in monitoring the organization and reviewing financial statement, while reviewing internal audit system, monitoring law compliance, reviewing risk management, and considering external auditor. The auditing committee set to convene with external auditor every quarter, total of 4 times a year while consulting the executives, giving financial comments and giving independent assessment as follow:

1. Reviewing financial statement

The audit committee reviewed company's financial statement in order to ensure that the company's financial statement was prepared with correctly. The Audit Committee had a meeting with the external auditors, without the company's management's involvement, in order to consider and recommend for preparation and auditing the financial statement 2018. The Audit Committee agreed that the financial statement of the company has been prepared correctly in accordance with the generally accepted accounting principles.

2. Reviewing internal audit system

The audit Committee has reviewed the yearly plan of internal audit the report of internal audit, report of the result on internal auditing, and auditors for 2019. The auditing committee found that the company has proper internal audit system adequate in business operation.

3. Monitoring law compliance

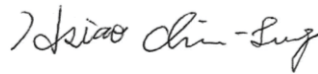
The audit committee has duty to ensure that the company follow business laws and regulations. The reviewing will be carried out every quarter. The audit committee will inform management if any law has been amend.

4. Reviewing Risk Management

The audit committee review company's risk management to ensure that the company has appropriate and effective risk management policy. This will be done by convening with the management. The committee will monitor risk evaluation that happen with change in business environment such as currency exchange risk, risk in change of production cost, industrial risk, operational risk, and market risk. Risk management policy and risk prevention measures will be used to manage risk efficiency in accordance to company's policy and strategy.

5. Considering and choosing external auditor

The committee has considered the external auditor of the year 2018 and appointed A.M.T. Associate as auditor for the company and its subsidiaries, and considering PricewaterhouseCoopers ABAS Ltd. as auditor for the company and its subsidiaries for 2019, which the committee will propose this the Annual General Meeting of Shareholder for shareholder's consideration and determining remuneration.



Mr. Hsiao, Chin - Lung

Chairman of the Audit Committee

Business Characteristics

Company Background

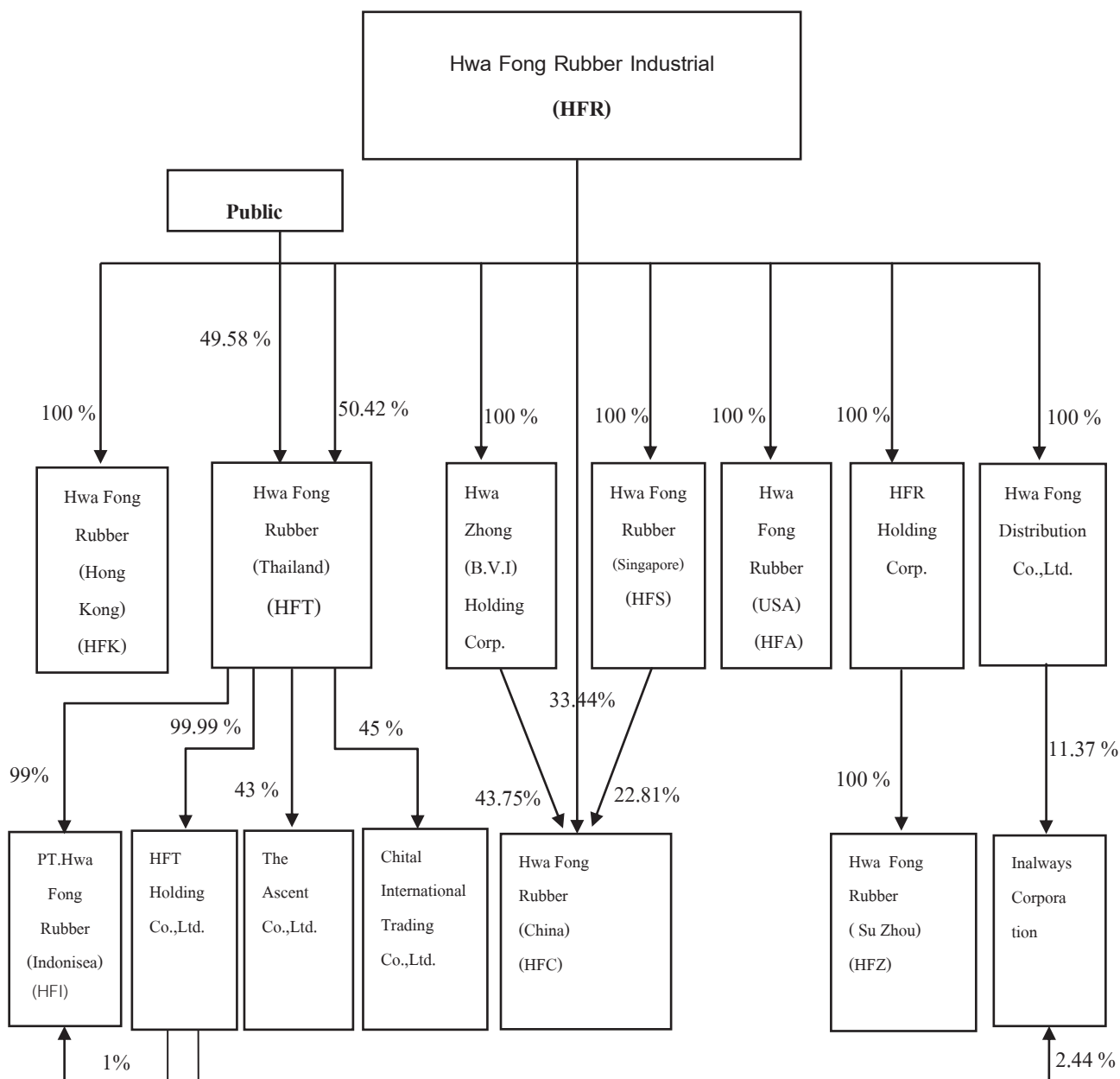
- 1989 - HFT was established on June 2, 1987 with initial registered and paid-up capital to Bt 300 million. HFT is a wholly owned subsidiary of Hwa Fong Rubber Industries Co., Ltd. (Hereinafter called "HFR"), with 99.99% holding stake. Initially, the nature of business was to manufacture bicycle tire 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.
- 2018
- Purchased land for construction of third factory.
 - Decelerated the construction process of factory in Indonesia.
 - Expanded production line of bicycle tires in the second factory.
 - Registered for dissolution of joint venture.

HFT has been established and expertise in the tire and tube business for the period of 32 years with the technology support from HFR, parent company incorporated in Taiwan founded more than 72 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.

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. Registered for dissolution on 27th February 2018. Now under liquidation process.

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. Registered for dissolution on 10th January 2018.

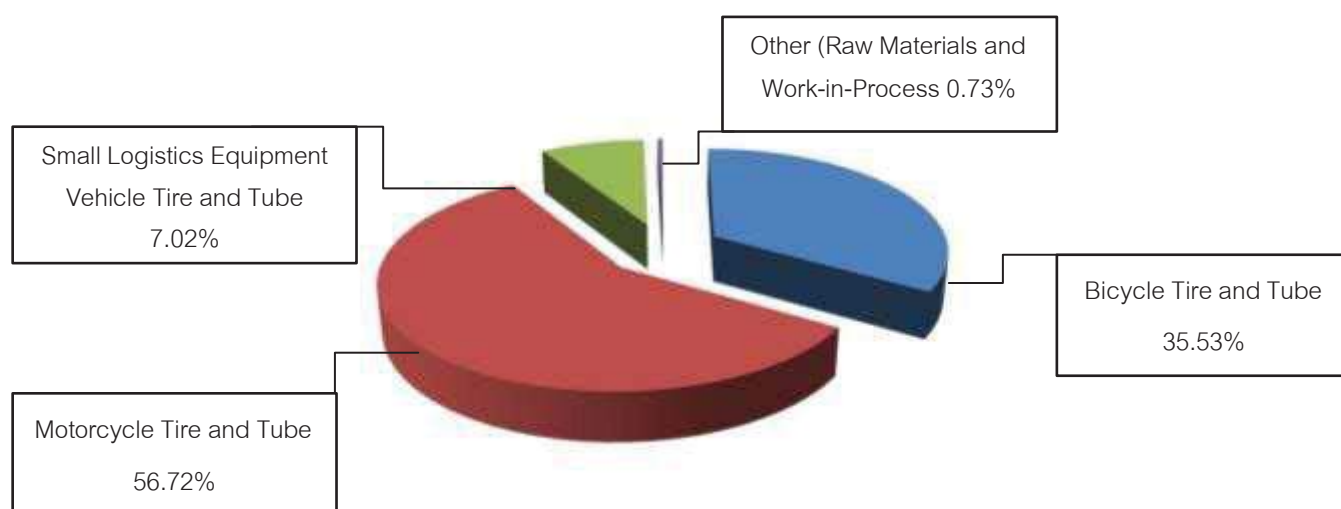
Revenue Structure

Value of Products categorized by the Product line in the year of 2016 - 2018 (THB Million)

Product	2018		2017		2016	
	(MB)	%	(MB)	%	(MB)	%
<u>Domestic Sales</u>						
1. Bicycle Tire and Tube	35.35	1.39	77.03	2.82	111.24	4.39
2. Motorcycle Tire and Tube	719.32	28.33	911.30	33.38	808.47	31.89
3. Small Logistics Equipment Vehicle Tire and Tube	14.16	0.56	17.73	0.65	17.46	0.69
4. Bike	-	-	-	-	0.37	0.01
5.Others (Raw Materials and Work-in-Process)	18.06	0.71	10.51	0.38	12.39	0.49
Subtotal Domestic Sales	786.89	30.99	1,016.57	37.23	949.93	37.47
<u>International Sales</u>						
1. Bicycle Tire and Tube	866.69	34.14	845.11	30.95	708.09	27.93
2. Motorcycle Tire and Tube	720.86	28.39	658.82	24.13	670.52	26.45
3. Small Logistics Equipment Vehicle Tire and Tube	163.91	6.46	209.28	7.67	204.25	8.06
4.Others (Raw Materials and Work-in-Process)	0.63	0.02	0.56	0.02	2.11	0.08
Subtotal International Sales	1,752.09	69.01	1,713.77	62.77	1,584.97	62.53
Total Revenue from Sales	2,538.98	100.00	2,730.34	100.00	2,534.90	100.00

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

Sales Proportion for the year 2018



Based on the figures above in 2018, we can observe that the major income structure comes from the international sales 69.01% and domestic sales 30.99%. Nonetheless, when compared to the revenue in 2017, the total revenues from sales generally falling 7.01% due to the decline in sales of motorcycle and small vehicle 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 2018, the company's revenue from sales of various types of tires accounted approximately for 78.45% 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 2018, the company's revenue from sales of inner tubes was approximately 20.85% 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.

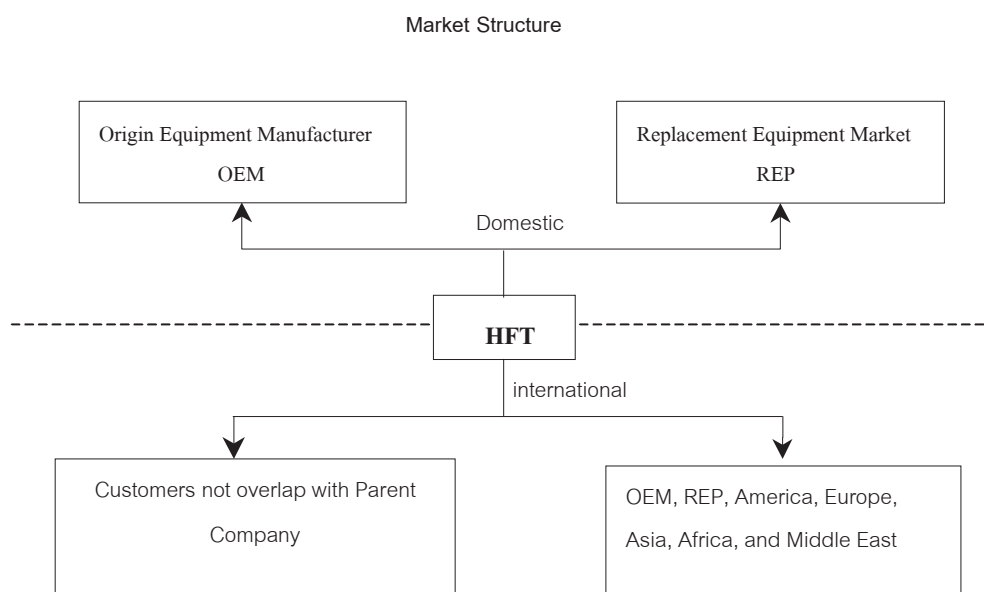
3) **Technical Cooperation Agreement** is the contract made between the parent company, HFR, and HFT for the technical cooperation to be effected since August 27, 2005 for 3 year validity (If there is no any party terminates the contract, it will be automatically renewed on a one-year basis). The essence 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. HFR revised this fee to 150,000 US Dollar per year effective from 1 January 2018 without other changes in the contract.

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,

4) 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 2018, the company had a market share of 8.81% 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

		Product Categories/Segmentation			Market		
		HFR	HFT	HFC	HFR	HFT	HFC
Bicycle Tires	Category	High-end	Middle-Low End	Middle-Low End	Taiwan, Europe	Thailand, Asia, Middle East and Europe	China, America
	Type	skin wall tire, Tire without tube	black tire Skin wall 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, Golf cart	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. Currently there are many customers provided by the Parent Company that ranked as our top 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, and for 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)

For the year 2018, the number of registered motorcycle was 1,942,494 units, a decrease of 2.93%* compared to last year. While Thailand Gross Domestic Product (GDP) is growing at 4.2%** , the motorcycle market do not share the same manner of growth. The significant factor for motorcycle market still lies in crop price. It is found that the crop price is in deceleration, hence the possible lack of purchasing power in new vehicle.

The market as a whole has been continuously positive. The upcoming election in 2019 has been good to the market. With positive and assured outlook, we can expect the growth in export and tourism sectors, with flow of fund expected to be invested in Thailand.

The company still maintain the market share in OEM market at 8.81%, a decrease of 2.87%. This is due to series of new motorcycle models being launched into the market and decrease our market share. However in the regard of this matter we have taken measures to secure our brand awareness. We have been intending on offering more of our brand products to domestic motorcycle manufacturers or OEMs. In order to ensure that our brand product will be used in their new models of motorcycle.

(*citing www.dlt.go.th)

(**citing www.tradingeconomics.com)

In 2018 the company was faced with fluctuation of production cost, while competing in price with our competitors. Many competitors have reduced the prices for competition. But with company's long efforts in creating good relationship between the company and network of vendors, HFT is able to secure customer base. As the result, we received deep support and cooperation from customers and stakeholders.

The company continues to sell directly to wholesale and retail stores for REP. This is a marketing strategy proven to be effective. The company make business with to wholesale and retail stores inside Bangkok and provinces, while creating new promotional campaigns. More over the company possess competitive advantage by having well-organized manage logistics and distribution system. These factors, together with the excellent quality of our products, this is a strategy that gains favorable feedback from the market.

The company maintain its focuses on quality and competitive price. Our products are well received and customer are well assured with excellent quality of our products. From these factors we are able to not only maintain sales but also re-imprinting brand recognition successfully.

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. Therefore the company can receive the incoming order systemically as well as customer can plan and provide the forecast order in more advance manner. Our Skinwall bicycle tire which is the high quality and light weight with good quality is in developing process. 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. Overall sales amount of bicycle tire and tube in the past year has increase.

Our partnership with the main customer allow them to plan 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 69.01% by overall, and company still competes with China, Indonesia, India and Sri-Lanka. These competitor have low production cost, 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 differentiate our product from competitor.
- Development of packaging in accordance with the market's demands
- Maintaining the best quality and meeting international standards.
- Satisfying customer's demand. To achieve this, it includes working with customer in creating marketing strategy.
- Observing and revising the price in the market. Monitoring competitor's price meticulously. Working on analyzing and benchmarking to adjust the company's strategy accordingly.

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. 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 62.77% in 2017 and 69.01% in 2018 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 2018 The Company made a loan agreement with a financial institution with Thai Baht as agreed upon currency thus there is no risk of foreign exchange rate in this regard

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

Crude oil price was decreasing for a short period of time during the end of the year, then increased afterward. This increase in price most likely came from as effect of crude oil price from OPEC. However there are still concerns for crude oil demand as the demand seems to incline toward shrinking. This is due to rather sluggish economy. Therefore it is safe to assume that the oil price may not fluctuate at alarming rate. For natural rubber, towards the end of the year crude oil hit its lowest compare to the past few years, at 38-42 Baht per kilo. This is because there is an over-supply of natural rubber in the market. US-China trade war remains to cause anxiety to global market. Nonetheless, Thai government has issued many incentives to create demand for usage of rubber, especially in roads constructions, controlling rubber yield, and expanding plantation area for long-term rubber plant plantation.

In the fourth quarter of 2018, the price of synthetic rubber declined in the similar manner to natural oil. Currently the price is at low price point due mainly to stagnant demand.

In the first quarter of 2018, due to China's policy on environment the Carbon Black and chemical price was highest compare to the past several years. Though the price came down afterward as manufacturers increase their production capability and install environmental friendly machines. Still the price of Carbon Black is rather high compare to the past several years.

Overall the risk of shortage in raw material and price fluctuation is low as economic recession and US-China trade war are still on going. The company is actively and continuously seeking new distributors .

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 2018, company did not have any natural disaster.

- **Management Risk**

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

HFR, which is the 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 1.01% of total raw material purchase in 2018. 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" "PREMIUM HFT" "ASCENT" 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, holding 10.18% stake, it can be seen as one of main shareholders to generate the adverse impact if they are to pull out from HFR and HFT since some of revenue stream stemmed from the brand "Dunlop" and its technology support. However, with the long-term relationship between Sumitomo Rubber and HFR and HFT 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. To enhance competitiveness of the company, our sales policy focus on ensuring excellent quality product at reasonable price and deliver on time.

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.	:	027096580
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
Securities Registrar	:	Chital International Trading Co., Ltd. (Incorporated in Taiwan.) 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	:	MR. CHAIYUT ANGSIWITTHAYA Certified Public Account Registration No. 4563 MS. JARUNEE NUAMMAE Certified Public Account Registration No. 5596 MS. DARANEE SOMKUMNERD Certified Public Account Registration No. 5007 A.M.T. AssociateGround Floor, Silom Plaza 491/27 Silom Road, Si Lom, Bang Rak 10500 Bangkok Thailand.

Information Securities and Shareholder

1. Assets of the company

Registered capital of the company on December 31st, 2018 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 28th, 2018.

Name	Number of shares (shares)	Percentage (%)
1. Hwa Fong Rubber Industries Company Limited	332,000,000	50.423
2. Mr. Somchai Pudphai	17,939,400	2.725
3. Mr. Nattapat Rangsan	15,960,600	2.424
4. Mrs. Hsin – Mei Yen Hsien	15,018,000	2.281
5. Mr. Ravi Kasemsarn	10,700,000	1.625
6. Mr. Sutud Luang Dansakul	9,500,000	1.443
7. THAI NVDR COMPANY LIMITED	8,038,900	1.221
8. Mr. Veerathep Praphuttiphong	5,700,000	0.866
9. Piyamas Praphuttiphong	5,700,000	0.866
10. Mr. CHIH-CHE YEN	5,150,000	0.782

3. Shareholder of a subsidiary.

3.1 Registered capital of the company on December 31st, 2018 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	99.99

3.2 Registered capital of the company on December 31st, 2018 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.

1.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. The Ascent (Thailand) Co., Ltd. registered for dissolution on 27th February 2018. The company received certain amount of invested fund, after liquidation of The Ascent (Thailand) Co., Ltd.

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.Mr. Chalao Surahong	40,000	20
3. Other Minor shareholders	23,000	11.5

Dividend Policy

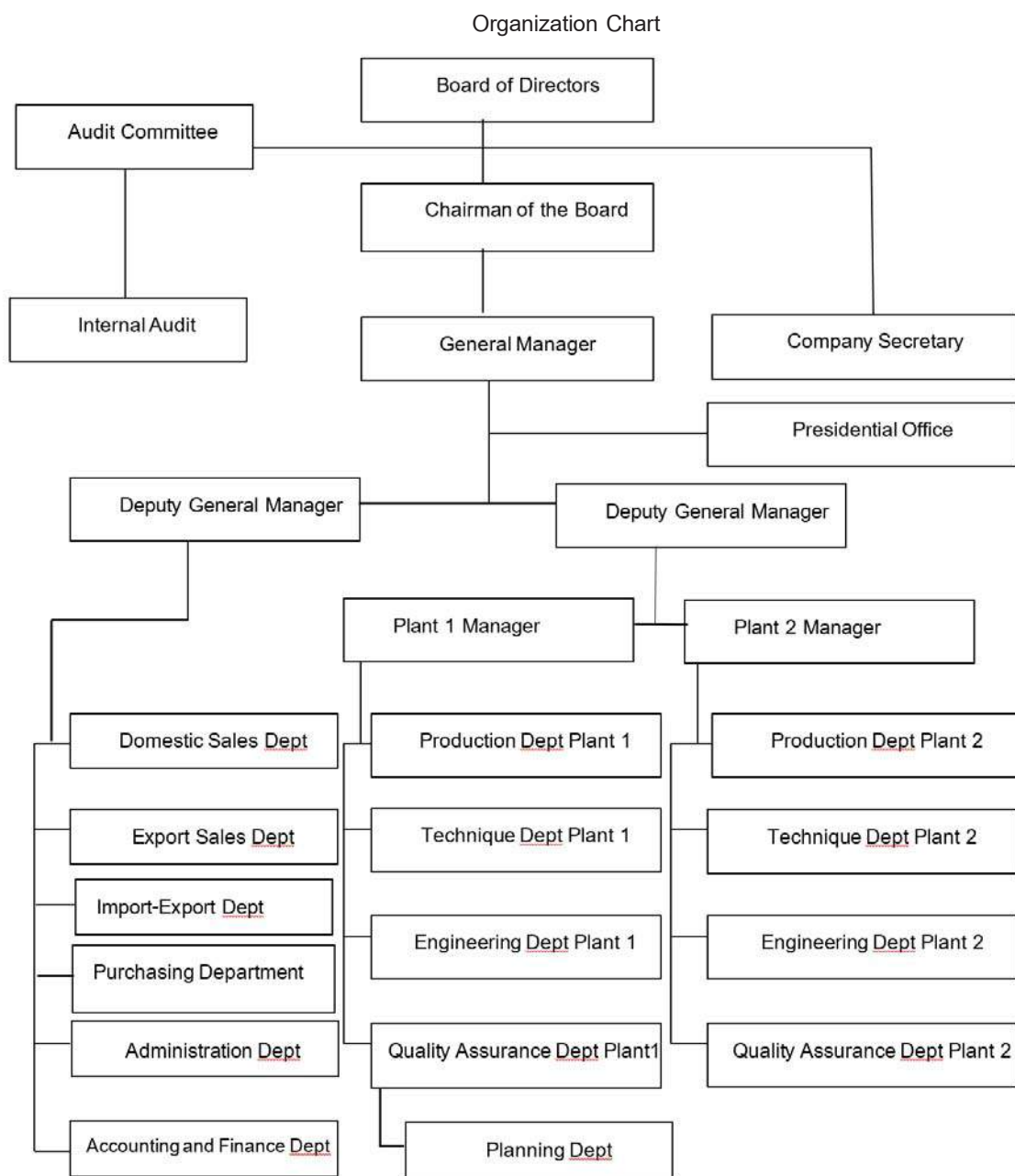
The Company's policy is to pay dividends at a rate of not less than 30 percent of the net profit after tax. And other reserves in the event that any such business expansion in the future.

Dividend History Data

Year	2018**	2017*	2016	2015
Earnings per share (EPS)	0.34	0.39	0.51	0.63
Dividend per share (DPS)	0.11	0.06	0.10	0.20
Dividend Payout Ratio (%)	32.38%	51.51%	19.49%	31.36%

*At the Annual General Meeting of Shareholders 1/2018 on 20th April 2018, dividend was authorized at 0.20 Baht per share, this is different from what board of director offered initially which was 0.06 Baht (6 Satang) per share.

Management Structure



Board of Directors and Management Team

Board of Directors As of 31st December 2018 Board of Directors are as follow:

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. Mr. Shen Kuo - Jung Chairman and Managing Director Board authorized To bind the company, according to the affidavit. 22 June 2018	69	Doctor of Philosophy in Business Administration, International American University Honorary Doctortorate in Management, Chaoyang University of Tchenology	-	-	2018- present 2018-present 2018-present 2016-present 2014-present 2010-present 1990-present 2007-present	Chairman Chairman Chairman Advisor Chairman Chairman Chairman Chairman	Hwa Fong Rubber Industry Co., Ltd. Hwa Fong Rubber (Thailand) PLC. HFT HFT Holding Co., Ltd. National Policy Advisor to the President of Republic of China (Tiwan) Science Association Taiwan Hota Industrial MFG. Co., Ltd. Kao Fong Machinery Co., Ltd. Kao Fong Machinery Co., Ltd.
2. Mr. Chuang, Chih -Yao Director Board authorized To bind the company, according to the affidavit. 18 December 2018	42	B.S. Finance Arizona State University.	-	-	2018-present 2015-present 2010-present	Director Managing Director Managing Director	Hwa Fong Rubber (Thailand) PLC. Thai Bright Bar Company Limited V G Steel 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. Chiu, Hsih - Chien Director 22 June 2018	47	Masters of Statistic, National Cheng Kung University	-	-	2018-present Present Present Present	Director Vice President Chief Executive Officer Chief Executive Officer	Hwa Fong Rubber (Thailand) PLC. Hwa Fong Rubber Industry Co., Ltd. Jian Sin Industrial Co., Ltd. Jian Sin Industrial Co., Ltd.
4. Ms. Wu, Ping - Yi Director 22 June 2018	29	Law Degree, National Chung Hsing University	-	-	2018-present Present 2016-2018	Director Vice President Advisor to Chief Executive Officer	Hwa Fong Rubber (Thailand) PLC. Hwa Fong Rubber Industry Co., Ltd. Jian Sin Industrial Co., Ltd.
5. Mr. Chang Tai Shan Director 2 July 2014	60	-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

Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holdin g in Compa ny (%))	Relations hip between Directors and Executive	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
6. Mr. Yen, Ming – Shan Director 11 August 2012	79	Vocational Certificate Taiwan	-	-	2012–Present	Director	Hwa Fong Rubber (Thailand) Plc.
					2012–Present	Permanent Director	Taiwan Rubber & Elastomer Industries Association Co., Ltd.
					2012–Present	Permanent Director	Taiwan Rubber Research & Testing Center Co., Ltd.
					2012–Present	Directr	Taiwan Provincial Industrial Association
					2011–Present	Directr	Hwa Fong Rubber Industry Co., Ltd.
					2009–Present	Chairn	Sheng Da Investment Co., Ltd.
					2003–Present	Director	Hwa Fong Rubber (SuZhou) Co., Ltd.
					1993–Present	Director	Hwa Fong Rubber (China) Co., Ltd.
					1992–Present	Directr	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
7. Mr. Yen, Ya – Nan Director 11 August 2012	75	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.
8. Mr. Yen, Chih – Che Director 21 April 2017	43	-Bachelor of Business Administration DAYEH University -Architectural Engineering department Cheng Shiu University	0.782	-	2017 – present 2007 - present 2000 - 2007	Director Principal Manager	Hwa Fong Rubber (Thailand) Plc. Sin-Jian-Hua Hydropower materials Co., Ltd. Jian-De Plastic Hydropower materials Co., Ltd.

Board of Directors (Continued)

Name-Lastname/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. Hsiao, Chin - Lung Chairman of Audit committee/ Independent Director 6 Aug 2018	48	-Master's degree of Economics Institute of Economic Chinese Culture University	-	-	2007- present	Manager	Far Eastern International Bank,
10. MS. Syuan Wen Audit committee/ Independent Director 6 Aug 2018	69	-Accounting, Saint Louis College, United Kingdom.	-	-	1996 – present 2015 - present	Director Overseas Coordinator	9999 international Co.,Ltd. Placetin International Group Eagles Ari & Sea (Thailand) 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
11. Mr. Monsiam Sinworapong Audit Committee/ Independent director 6 Aug 2018	46	-Bachelor of Business Administration, International Business Management at Siam University, -Bachelor's Degree of Laws at Ramkhamhaeng University.	-	-	2018- Present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.,
					2005-Present	Director/ Chief of Legal counsel	Applied DB Puvlic Company Limited
					2007-Present	Legal counsel	SaveMor International Co.,Ltd.
12. Mr. Pornthep Suratroongrojkit Audit Committee/ Independent director 20 Apr 2018	45	Bachelor of Business Administration, Dhurakij Pundit University	-	-	2018-Present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.
					2017-Persent	Managing Director	APEC Engineering Co.,Ltd
					2011-Present	Managing Director	Pornthep Support (Thailand) Co.,Ltd.

Management Team

As of 31st December 2018 Management Team are as follow:

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. Mr. Shen Kuo - Jung	69	Doctor of Philosophy in Business Administration, International American University Honorary Doctoctorate in Management, Chaoyang University of Tchenology	-	2018- present 2018-present 2018-present 2016-present 2014-present 2010-present 1990-present 2007-present	Chair man Chair man Chairman Advisor Chairman Chairman Chairman Chairman	Hwa Fong Rubber Industry Co., Ltd. Hwa Fong Rubber (Thailand) PLC. HFT HFT Holding Co., Ltd. National Policy Advisor to the President of Republic of China (Tiwan) Science Association Taiwan Hota Industrial MFG. Co., Ltd. Kao Fong Machinery Co., Ltd. Kao Fong Machinery Co., Ltd.
2. Mr. Chuang, Chin - Yao Vice General Manager	42	MSc. Finance Arizona State university USA	-	2018-present 2015-present 2010-present	Director Managing Director Managing Director	Hwa Fong Rubber (Thailand) PLC. Thai Bright Bar Company Limited V G Steel Co., Ltd.

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. Chiang Jung – Tsung Vice General Manager	56	-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	-	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.
4. Ms. Radatorm Tanaasawapol Financial and Accounting Manager	54	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	54	Bachelor Degree (Law) Ramkhamhaeng University	0.000228	2010-present	Secretary of company	Hwa Fong Rubber (Thailand) Plc.
				2003-present	Presidential office Manager	Hwa Fong Rubber (Thailand) Plc.
				2001-2003	Administration Manager	Hwa Fong Rubber (Thailand) Plc.
				1991-2001	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, 2018.

Name-Last Name	Position
1. Mr. SHEN KUO – JUNG	Chairman of the Board and Managing Director
2. Mr. CHUANG, CHIH – YAO	Director
3. Mr. CHIU, HSIH – CHIEN	Director
4. Ms. WU, PING – YI	Director
5. Mr. CHANG, TAI – SHAN	Director
6. Mr. YEN, MING-SHAN	Director
7. Mr. YEN YA NAN	Director
8. Mr. YEN, CHIH – CHE	Director
9. Mr. Mr. HSIAO, CHIN-LUNG	Chairman of Audit Committee and Independent director
10. SYUAN WEN	Audit Committee and Independent director
11. Mr. MONSIAM SINWORAPONG	Audit Committee and Independent director
12. Mr. PORNTHAP SURATROONGROJKIT	Audit Committee and Independent director

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. 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.

4. 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.
5. Grant approval for the appointment of advisors in various fields which are necessary for operating the business or for implementation of the work assignments.
6. Engage in managerial works which are involved with the general operations of the company.
7. Annual self-estimation of directors.
8. Annual self-estimation of directors.

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. HSIAO, CHIN-LUNG*	Independent director / The Chairman of the Audit Committee
2	Mr. MONSIAN SINWORAPUN	Independent director / Audit Committee
3	Mrs. SYUAN WEN	Independent director / Audit Committee
4	Mr. PORNTHEP SURATROONGROJKIT	Independent director / Audit Committee

Remark: Director no.1 who has 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.

Management Team

Names of the management team as at December 31st, 2018

NAME	Position
1. Mr. SHEN KUO – JUNG	Chairman of the Board and Managing
2. Mr. CHUANG, CHIH – YAO	Deputy General Manager
3. Mr. CHIANG, JUNG – TSUNG	Deputy General 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.

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.

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 2018

Positions	Annual remuneration
Chairman of the Board	540,000.00 Baht
Directors	300,000.00 Baht
Chairman of the Audit Committee	540,000.00 Baht
Independent Director / Audit Committee	350,000.00 Baht

Remuneration of each Director in 2017

Name	Position	Remuneration	Premium	
1.Mr. SHEN KUO – JUNG*	Chairman of the Board	295,167 Baht	125,000Baht	Appointed as Director on 8 June 2018 Appointed as Chairman of the Board on 22 June 2018
2. MS. Su, Ming - Fen	Chairman of the Board	255,000 Baht	100,000 Baht	Retired from 21 June2018
3. Mr. CHEN,CHING – TANG	Director	137,500 Baht	50,000 Baht	Retired from 15 June2018
4. Mr. CHIU, HSIH – CHIEN	Director	157,500 Baht	75,000 Baht	Appointed on 22 June2018
5. MS. WU, PING – YI	Director	157,500 Baht	100,000 Baht	Appointed on 22 June2018
6. Mr. CHANG, TAI – SHAN	Director	300,000 Baht	-	
7. Mr. YEN, MING-SHAN	Director	300,000 Baht	200,000 Baht	
8. Mr. YEN YA NAN	Director	300,000 Baht	150,000 Baht	
9. Mr. YEN, CHIH – CHE	Director	300,000 Baht	175,000 Baht	
10. Mr. CHUANG, CHIH – YAO	Director	169,167 Baht	125,000 Baht	Appointed on 8 June2018
11. Mr. LIN, CHU – FUNG	Director	125,000 Baht	75,000 Baht	Retired from 30 May 2018
12. Mr. CHIANG, JUNG – TSUNG	Director	125,000 Baht	75,000 Baht	Retired from 30 May 2018
13. Mr. CHIH YU LIAO	Chairman of Audit Committee and	292,500 Baht	150,000 Baht	Retired from 16 July 2018
14. Mr. LIAO, CHEN HSUAN YU	Audit Committee and Independent director	-	-	Retired from 3 January 2018
15. Mr. Boonrit Ngamwongwat	Audit Committee and Independent director	189,583 Baht	175,000 Baht	Retired from 16 July 2018
16. Ms. LIANG, SU – JUNG	Audit Committee and Independent director	160,417 Baht	150,000 Baht	Retired from 15 June2018
17 Mr. HSIAO, CHIN-LUNG	Audit Committee and Independent director	217,500 Baht	50,000 Baht	Appointed on 6 August 2018
18. Mr. Monsiam Sinworapong	Audit Committee and Independent director	140,972 Baht	75,000 Baht	Appointed on 6 August 2018
19. Mr. Pornthep Suratroongrojkit	Audit Committee and Independent director	262,500 Baht	275,000 Baht	Appointed on 20 April 2018
20. Ms. SYUAN WEN	Audit Committee and Independent director	140,972 Baht	75,000 Baht	Appointed on 6 August 2018

Director's remuneration 20 persons of 12 Positions and Management 4 persons as at 31st Dec, 2018,
comparing 2018, 2017, 2016 as follows :

Type of remuneration	Director's remuneration 12 persons (Baht)			Managements remuneration (Baht)		
	2018	2017	2016	2018 (4 persons)	2017 (4 persons)	2016 (5 persons)
Salary		-	-	6,899,515	8,786,768	10,989,625
Annual remuneration	4,026,278	2,740,000	2,680,000	-	-	-
Bonus		-	-	1,524,810	1,758,510	3,113,105
Premium	2,200,000	1,775,000	1,250,000	-	-	-
Total	6,226,278	4,515,000	3,930,000	8,424,325	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 2018 as follows:

N	Name-Last Name	Position
1	Mr. HSIAO, CHIN-LUNG	The chairman of the Audit Committee
2	Ms. SYUAN WEN	Audit Committee
3	Mr. MONSIAM SINWORAPONG	Audit Committee
4	Mr. PORNTHEP SURATROONGROJKIT	Audit Committee

Remark : *No.2 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.

The Committee has scheduled meetings for an entire year and will meet every 3 months. Unplanned meeting can conduct as necessary. Chairman or a director will specify meeting agenda in advance. The meeting invitation, meeting agendas, and other attachments will be send to the directors 7 days in advance, in order for directors' preparations.

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 2018, the Board of Directors's meetings were commenced 9 times and the Audit Committee's meeting were commenced 4 times. Attendance record as of 31st December 2018 are as follow:

Name	Position	Number of Attendance / Number of Meetings		Remark
		Board of	Board of Audit	
1. Mr. SHEN KUO – JUNG*	Chairman of the Board	9/5	-	Appointed as Director on 22 June 2018 Appointed as Chairman of the Board on 22 June 2018
2. Ms. Su, Ming - Fen	Chairman of the Board	9/4	-	Retired from 21 June 2018
3. Mr. CHEN, CHING – TANG	Director	9/2	-	Retired from 15 June 2018
4. Mr. CHIU, HSIH – CHIEN	Director	9/3	-	Appointed on 22 June 2018
5. MS. WU, PING – YI	Director	9/4	-	Appointed on 22 June 2018
6. Mr. CHANG, TAI – SHAN	Director	9/0	-	
7. Mr. YEN, MING-SHAN	Director	9/8	-	
8. Mr. Mr. YEN YA NAN	Director	9/6	-	
9. Mr. YEN, CHIH – CHE	Director	9/7	-	
10. Mr. CHUANG, CHIH – YAO*	Director	9/5	-	Appointed on 8 June 2018
11. Mr. LIN, CHU – FUNG	Director	9/3	-	Retired from 30 May 2018
12. Mr. CHIANG, JUNG – TSUNG	Director	9/3	-	Retired from 30 May 2018
13. Mr. CHIH YU LIAO	Chairman of Audit Committee and	9/4	4/2	Retired from 16 July 2018
14. Mr. LIAO, CHEN HSIUAN YU	Audit Committee and Independent director	9/0	4/0	Retired from 3 January 2018

Name	Position	Number of Attendance / Number of Meetings		Remark
		Board of	Board of Audit	
15. Mr. Boonyarit Ngamwongmas	Audit Committee and Independent director	9/5	4/2	Retired from 16 July 2018
16. Ms. Liang, Su – Jung	Audit Committee and Independent director	9/4	4/2	Retired from 15 June 2018
17. Mr. HSIAO, CHIN-LUNG	Audit Committee and Independent director	9/1	4/1	Appointed on 6 August 2018
18. Mr. Monsiam Sinworapong	Audit Committee and Independent director	9/2	4/1	Appointed on 6 August 2018
19. Mr. Pornthep Suratroongrojkit	Audit Committee and Independent director	9/8	4/3	Appointed on 20 April 2018
20. MS. SYUAN WEN	Audit Committee and Independent director	9/2	4/1	Appointed on 6 August 2018

Note: * The authorized signatory and the company's seal affixed to Mr. SHEN KUO – JUNG* and Mr. CHUANG, CHIH – YAO

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 2018, 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.

Auditor and Auditing fee

In 2018 the committee has authorized A.M.T. Associate as auditor. The auditing fee is decided at 1,320,000 Baht. **(Non-audit fee) 609,287 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 2018, the company convened 1 times of the shareholder meeting. On April 20st, 2018 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. Preksamai, A. Muangsamutprakarn, Samutprakarn. The meeting resolved all proposed agendas in appropriate order.

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

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

1.4 During the meeting, the chairman offered the shareholders' opportunities to render their own opinion. Before the commencement of the meeting, the chairman announced the number of shareholders who physically attend the meeting and those who gave the proxy including the vote casting manner by counting the dissent shareholders only for convenience. In addition, the company provided the opinion form in case non-approval in every agenda.

2. Equality of Shareholders' Right

The Company recognizes the rights of all shareholders to receive accurate and complete information in sufficient time to enable them to make decisions in shareholders' meetings. Prior to all shareholders' meetings, the Company shall send a notice convening the meeting, together with an agenda, to the shareholders and include an opinion from the board of directors on each agenda. Such notice will be publicized in the

daily newspaper no less than 3 consecutive days and no less than 3 days prior to any such meeting. The notice of shareholder meeting will notify the necessary documents for the meeting, proxy form A for shareholders who are not able to attend a Meeting in person and proxy form B and C please download in the company's website.

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.
- Start Scholarship program for children of employees.

● **Safety and Environmental**

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

- Provide campaign for clean environment within the office and factory to ensure cleanness and safety in accordance with 5S.
- Provide the nursing home and emergency cars throughout 24 hours for accidental preparation.
- Provide Fire Fighting Training to employee every year.
- Employee who has the risk of accident as well as Engineer the company will provide safety equipment for protection an accident.
- 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.

- 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 2018, company has organized training to increase potential for work of all levels of employees by inviting the external experts for lectures, with topics as below:

1. Safety Training for Management Level.
2. Safety Training for Head of Staff Level.
3. IAT 16949 : 2016 Requirement and ISO/TS 16949 Evaluation
4. Why – Why Analysis, how to fix problem at hands.
5. How to Teach and Train, Creation of Mentor system.
6. Training on how to be conscious about saving energies.

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.

Disclosure of Information and Transparency

The company realizes the importance 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 via E-mail: hwafong@duro.co.th or tel. 0-2709-6580 ext. 118 (Mr.Athisit Worachote) 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 2018, 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

The company believe in transparency and strive to prevent corruption in every shape and form. For fairness and for community including every stakeholder, the company has established anti-corruption measure. With written guidelines the company continue to strive for fairness and responsibility of the community and every stakeholder. The company can move forward with aim for 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. Changed 250-watt mercury vapor lamp at Topping section to 120-watt induction at 4 departments, result in reduction of electrical cost at 48,216 Baht/Year.
2. Fixed steam leakage point, reduced electrical cost by 852,471 Baht/Year.
3. Installed RO pipe system for toilets in Tube warehouse. Reduced electrical cost by 115,449 Baht/Year.
4. Changed water pipes in the front area of the plant. Reduced unnecessary water usage by 11,544 Baht/Year.
5. Continuously controlled 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 2018 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 A.M.T. Associate, 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 2018, company committed connected transactions with related companies as the following details:

Person or Company	Relationship	Description	Value of Connected Transaction in 2018 (MB)	Pricing Policy	Appropriateness
1. Hwa Fong Rubber Industries Co., Ltd. (HFR)	Major shareholder which is holding as 50.42%	- Product sale	11.14 (430,598 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	
		- Raw material purchase	11.74	- Cost plus margin	For standard production with normal business conditions
		- Product purchase	-	- Cost plus margin	For standard production with normal business conditions
		- Fixed asset purchase	3.16	- Cost plus margin (Machinery purchase for production)	For complying the same production technology with normal business conditions
		- Spare parts, materials	7.14	- Cost plus benefit (Spare parts for machine repairing and	For complying the same production technology and normal business condition
		- Technical assistance fee	4.89	150,000 USD per year	Price based on agreement
		-Trademark fee	5.78	0.5 % of total amount of sold products	Price based on agreement
		-Pattern rights	1.14	35,000 USD/Year	Price based on agreement
		-Trade account receivable	2.43	Credit 60 days	
		- Trade accounts payable	2.01	Credit 60 days	
		- Other payable	3.99	Credit 60 days and accordance with trade agreement	

Connected Transaction (Continued)

Person or Company	Relationship	Description	Value of Connected Transaction in 2018 (MB)	Pricing policy	Appropriateness
2. Hwa Fong Rubber (USA) Co.,Ltd. (HFA)	Affiliated Company (sharing parent company)	- Product sale	65.11 (229,754 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	0.05	Market price or based on agreement price	The price can be compared to the market price and normal business conditions
		- Trade account receivable	19.15	Credit 90 days	
		- Other payable	0.33	Credit 90 days	
3. Hwa Fong Rubber (Hong Kong) Co.,Ltd. (HFK)	Affiliated Company (sharing parent company)	-Product sale	5.70 (7,806 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 receivable	-	Credit 60 days	
4. Hwa Fong Rubber (China) Co., Ltd. (HFC)	Affiliated Company (sharing parent company)	- Product sale	-	- 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 2018 (MB)	Pricing policy	Appropriateness
4. Hwa Fong Rubber (China) Co., Ltd. (HFC) (Continued)	Affiliated Company (sharing parent company)	- Fixed asset purchase	-	- Cost plus profit (Machinery purchase for production)	For complying the same production technology and normal business condition
		- Trade account receivable	4.19	Credit 90 days	
		- Other payable	0.90	Credit 90 days	
		- Spare parts, materials and other expenses	0.85	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
5. Sumitomo Rubber Industries Co., Ltd.	- Related company which is holding the shares in parent company (HFR) as 10.18%	-Product sale	74.25 (278,076 unit)	- 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 receivable	3.20	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	-	- Cost plus profit (Machinery purchase for production)	For complying the same production technology and normal business condition
		- Raw material purchase and other expenses	-	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		- Other payable	1.29	Credit 60 days and based on trade agreement	

Connected Transaction (Continued)

Person or Company	Relationship	Description	Value of Connected Transaction in 2018 (MB)	Pricing policy	Appropriateness
6. The Ascent (Thailand) Co., Ltd.	- The company is holding the shares as 43.00% with sharing directors	- Product sale	0.90	- 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		Price is based on agreement	According to the price in an agreement
		- Other expenses	0.04	Market price or based on agreement price	The price can be compared to the market price including terms and conditions
		- Trade account receivable	-	Credit 90 days	
		- Other receivable	-	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	-	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 0.44%, Hwa Fong Rubber Co. Ltd (USA) for 2.56 %, Hwa Fong Rubber (Hongkong) Co. Ltd (HFK) for 0.22%, The Ascent (Thailand) Co. Ltd. for 0.04% and Sumitomo Rubber Industries for 2.92% 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 2018, 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		
	2018	2017	2016	2018	2017	2016
Stock Data						
Par value (Baht)	1.00	1.00	1.00	1.00	1.00	1.00
Book value (Baht)	4.26	4.15	3.89	4.33	4.19	3.90
Earning per share (Baht)	0.34	0.39	0.51	0.33	0.39	0.51
Operating (Million Baht)						
Sales revenue	2,555.48	2,730.99	2,534.99	2,538.98	2,730.34	2,534.89
Total income	2,582.73	2,748.52	2,558.90	2,560.98	2,747.42	2,559.26
Net profit	223.71	255.65	337.76	219.08	254.97	337.12
Balance Sheet (Million Baht)						
Current assets	1,567.11	1,976.03	2,073.70	1,469.97	1,874.02	2,045.63
Total assets	3,340.74	3,162.36	2,989.16	3,382.93	3,188.14	3,000.01
*Current liabilities	354.61	398.22	402.90	353.68	396.42	402.77
Total liabilities	533.21	431.07	430.64	532.28	429.49	430.49
Paid-up capital						
Shareholders' equity	2,807.53	2,731.29	2,558.52	2,850.65	2,758.64	2,569.52
Financial Ratio						
Returns on shareholders' equity (%)	8.08%	9.67%	13.80%	7.81%	9.57%	13.67%
Returns on fixed assets (%) *	26.05%	35.41%	51.68%	28.62%	40.58%	51.60%
Returns on assets (%)	6.88%	8.31%	11.71%	6.67%	8.24%	11.61%
Gross profit (%)	19.76%	21.38%	31.90%	19.84%	21.39%	31.91%
Current assets ratio to items of current (times)	4.42	4.96	5.15	4.16	4.72	5.08
Quick ratio (times)	2.86	3.46	3.93	2.59	3.22	3.88
Debt ratio to shareholders' equity (times)	0.19	0.16	0.17	0.19	0.16	0.17

* Total prepaid purchase for fixed assets as per the annual financial statements of 2017 and 2018

Financial Status

1. Asset

In 2018, HFT assets rest at 3,340.75 MB, increased from 2017 as 178.39 MB. The increase came from these assets:

- The increasing of land asset in the construction of 3rd plant in Indonesia which equals to 277.29 MB.
- Under construction buildings and under-installation machines of the 2nd plant for manufacturing tires and bicycle which equals to 160.77 MB.
- Under-installation machines in 1st plant which is 58.39 MB with advance payment of 40.90 MB.

The company sees these asset as an important preparation for increase in manufacturing.

Company's notable assets consist of: cash and cash equivalent 13.94%, trade account receivables 15.23%, inventory 15.24, fixed asset 38.05%.

The Company's ability to collect payment from the debtor has decreased from last year. The day's collection periods in 2018 were about 73.68 days and 74.89 days in 2017. The company policy set collection period at 30-120 days for normal clients. Moreover, the company has sets the viable policy to manage the account receivables and closely monitor the process continuously.

2. Liquidity

The current ratio in 2018 decreased from 4.96 times to 4.42 time. Our quick ratio came down from 3.46 times in 2017 to 2.86 times in 2018. This can be explained by cash equivalents decreased of cash and cash equivalents which came down 380.08 Million Baht.

3. Sources of Funds

In 2018, the debt to equity ratio is at conservative level with ratio of 0.19 times. This is a decrease from decreased from 0.16 times of 2017. With these figures we can see that company financial structure is strong and allow to a certain level of financial obligations in the future.

Management Discussion & Analysis: MD&A

Overall Performance

For overall performance, HFT reported its revenue from sales in 2017 at 2,731 Million Baht and 2,555 Million Baht in 2018 which is a decrease of 176 Million Baht. The company has a decrease in sales from motorcycle tires in the amount of 129.95 Million Baht or 8.28%. This is due to economic recovery of domestic economy and decreased in crop prices that leads decrease in consumption. HFT, however, can still maintain market share of international market. In this regard the company has always been supportive of its sales and marketing efforts. Therefore HFT is able to reach targeted customers and maintain brand awareness successfully.

Domestic economy was in positive manner stemming from the political situation and the upcoming election. This allows our exports to expand. While the company face the rise in production cost stemming from the increase in price of raw material, chemical, energy, and labor, the company still produce net profit of 223.71 MB in 2018. It is a decrease of 31.94 MB or 12.49% in comparison to 2017. This result in earnings per share of 0.34 Baht.

Main Revenue

Main revenue of the company and its subsidiaries consist of 1,767.68 09MB export sales and 787.80 MB of domestic sales. As a whole, the 2018 revenue is a decrease of 175.52 MB or 6.43% compare to last year. Compare to last year, domestic sales decreased 229.17 MB or 22.53%. This is due to low crop price. However export sales increased 53.65 MB which is a rise of 3.13%. This is the result of company long supports in sales and marketing efforts. Therefore HFT is able to reach targeted customers and maintain brand awareness successfully.

The company continues to maintain customer base by implementing marketing campaigns in the second half of the year, despite being in highly competitive market. The company still focus on maintaining the high quality and excellent performance of products. Therefore, the customer can trust and support our product continuously.

Other Revenues

Other revenues of the company and its subsidiaries consist of miscellaneous income, received interest and dividend, they are amount to 27.25 MB. This is a decrease of 9.73 from 2017. In 2018 the company gained profit of 11.68 MB from exchange rate. In 2017, however, the company loss from exchange rate 12.14 MB. In 2018 revenue from received interests was at 4.94 MB which largely contribute of Other Revenues section. Other revenues apart from these did not play an important part and did not effect overall performance of the company, it can be calculated as 1.06% of total revenue in 2018.

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

For the cost of the company and subsidiary in year 2018 and 2017, the cost of sales amounted to 2,050.58 MB and 2,146.99 MB respectively which has been increased 96.42 MB or 4.49%. The decrease of cost of sale came from the drop in sell and the rise in main raw material especially chemical cost. There was also adjustment in minimum wage came into factor while energy cost can also adjust itself. Although it may look like a dire situation the company still implementing counter measures such in reducing 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.

Administrative expenses decreased by 38.66 MB. This was a decrease from 96.69 MB in 2017 to 58.03 MB in 2018. This is because in 2017 the It was the result of loss in impairment of available-for-sale securities as 31.36 MB as the value of this securities decreased.

As in 2016, company managed to calculate the expenses for doubtful and bad debts by 171.69 MB, due to a civil lawsuit against 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. The company has been added the expense for 9.21 MB in 2017. In 2018 the company has set up allowance for doubtful accounts amounted to 8.34 MB as counter measure to vendor debt whose debt are doubtful. The Company has been strengthening policy in building financial reliability and enforce stricter 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 and Board of Directors of Hwa Fong Rubber (Thailand) Public Company Limited

(1) Opinion

I have audited the consolidated financial statements of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiaries (the “Group”) and the separate financial statements of Hwa Fong Rubber (Thailand) Public Company Limited (the “Company”) which comprise the consolidated and separate statements of financial position as of December 31, 2018, and the related consolidated and separate statements of changes in equity, income, comprehensive income, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiaries and of Hwa Fong Rubber (Thailand) Public Company Limited as of December 31, 2018, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

(2) 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 in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King’s Code of Ethics for Professional Accountants together with the ethical requirements that are 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.

(3) 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.

Key Audit Matters included Audited Procedures are as follows:

Presentation of inventories valuation (the consolidate and separated financial statements)

As describe in note 3 (e) and 8 to the financial statement, 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.

My Audited Procedures to the Key Audit Matters

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.

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).

(4) Other matter

The financial statements of Hwa Fong Rubber (Thailand) Public Company Limited and its subsidiaries for the year ended December 31, 2017, as presented herein for comparative purposes were audited by other auditor, in accordance with auditing standards, and expressed an unqualified opinion on those statements in his report dated February 23, 2018.

(5) Other Information

Management is responsible for the other information. The other information comprise the information included in the annual report of the Group, but does not include the financial statements and my auditor's report thereon, which 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 do 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 financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

(6) 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 the 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 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.

(7) 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 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 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.



(CHAIYUTH ANGSUWITHAYA)

Certified Public Accountant

Registration No. 3885

A.M.T. & ASSOCIATES

Bangkok, Thailand

February 25, 2019

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		(in Baht)			
		Consolidated Financial Statement		Separate Financial Statement	
A S S E T S	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<i>Current assets</i>					
Cash and cash equivalents	5	465,731,110	845,809,207	368,675,948	753,885,176
Short-term investments	6	40,000,000	9,723,280	40,000,000	-
Trade accounts receivable	4, 7	508,833,710	521,717,859	506,815,545	521,717,859
Other current receivables		27,052,642	21,775,497	30,698,612	21,620,739
Inventories	8	509,232,420	545,816,761	508,657,498	545,686,188
Other current assets		16,262,765	31,184,352	15,126,128	31,108,885
Total current assets		1,567,112,647	1,976,026,956	1,469,973,731	1,874,018,847
<i>Non-current assets</i>					
Deposit with restriction	16.1	200,000,000	-	200,000,000	-
Long-term Investment	6	26,614,101	41,120,344	-	
Investments in associates	9	1,182,316	18,525,715	1,161,000	20,388,362
Investments in subsidiaries	10	-	-	412,255,214	412,255,214
Investment property	11	246,125,197	-	-	-
Property, plant and equipment	12	1,271,259,939	1,097,881,175	1,271,230,631	852,664,724
Deferred tax assets	13	28,055,324	28,299,759	28,055,324	28,299,759
Other non-current assets		396,053	510,000	255,000	510,000
Total non-current assets		1,773,632,930	1,186,336,993	1,912,957,169	1,314,118,059
TOTAL ASSETS		3,340,745,577	3,162,363,949	3,382,930,900	3,188,136,906

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		(in Baht)			
		Consolidated Financial Statement		Separate Financial Statement	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<i>Current liabilities</i>					
Trade accounts payable	4, 14	161,524,823	190,241,751	161,524,823	190,082,467
Other current payables	4, 15	102,048,156	107,936,058	101,901,958	107,936,059
Current portion of long - term liabilities	16	769,195	-	769,195	-
Income tax payable		27,081,358	24,999,213	26,977,142	24,999,213
Accrued expenses		60,252,493	71,663,518	59,712,076	70,252,478
Other current liabilities		2,935,179	3,383,484	2,790,066	3,372,229
Total current liabilities		354,611,204	398,224,024	353,675,260	396,642,446
<i>Non-current liabilities</i>					
Employee benefit obligation	17	31,786,453	32,849,931	31,786,453	32,849,931
Long - term loans	16	146,816,363	-	146,816,363	-
Total non-current liabilities		178,602,816	32,849,931	178,602,816	32,849,931
Total liabilities		533,214,020	431,073,955	532,278,076	429,492,377

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		(in Baht)			
		Consolidated Financial Statement		Separate Financial Statement	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<i>Shareholders' equity</i>					
Share capital	18				
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	18	222,105,000	222,105,000	222,105,000	222,105,000
Share premium on treasury shares	19	7,429,904	7,429,904	7,429,904	7,429,904
Retained earnings					
Appropriated					
Legal reserve	20	65,843,430	65,843,430	65,843,430	65,843,430
Unappropriated		1,902,811,573	1,810,789,380	1,898,384,739	1,810,986,906
Other components of shareholders' equity	20	(49,092,650)	(33,312,020)	(1,544,549)	(6,155,011)
Total shareholders' equity		2,807,531,557	2,731,289,994	2,850,652,824	2,758,644,529
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITIES					
		3,340,745,577	3,162,363,949	3,382,930,900	3,188,136,906

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

		(in Baht)			
		Consolidated Financial Statement		Separate Financial Statement	
		For the year ended		For the year ended	
		December 31		December 31	
	Note	2018	2017	2018	2017
<i>Revenues</i>					
Revenue from sales	4	2,555,478,106	2,730,997,117	2,538,981,994	2,730,343,480
Dividend income		130,672	1,097,355	-	559,000
Foreign exchange gain, net		11,683,859	-	6,540,403	-
Other income		15,434,277	16,423,710	15,456,112	16,514,538
Total revenues		2,582,726,914	2,748,518,182	2,560,978,509	2,747,417,018
<i>Expenses</i>					
Cost of sale of goods	4, 24	2,050,575,064	2,146,990,118	2,035,312,999	2,146,419,101
Distribution costs	4, 22, 24	187,849,545	178,607,530	187,705,013	178,556,466
Administrative expenses	4, 24	58,031,216	96,692,296	56,967,222	98,128,827
(Reversal of) doubtful debts expense		8,343,110	(9,207,142)	8,343,110	(9,207,142)
Foreign exchange loss, net		-	12,142,019	-	14,455,362
Finance costs		3,961,688	255,431	3,921,340	255,431
Total expenses		2,308,760,623	2,425,480,252	2,292,249,684	2,428,608,045
Share of profit (loss) of associates	9	(507,204)	(2,086,027)	-	-
Profit before income tax expense		273,459,087	320,951,903	268,728,825	318,808,973
Income tax expense	25	49,750,034	65,303,902	49,644,132	63,843,532
Profit for the year		223,709,053	255,648,001	219,084,693	254,965,441

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

		(in Baht)			
		Consolidated Financial Statement		Separate Financial Statement	
		For the year ended		For the year ended	
		December 31		December 31	
	Note	2018	2017	2018	2017
Other comprehensive income					
<i>Components of other comprehensive income that will be reclassified to profit or loss</i>					
Exchange differences on translating financial statements		(5,884,850)	(27,157,009)	-	-
Loss on remeasurement investments held as available for sale	6	(14,506,242)	-	-	-
Net change in fair value of available-for-sale investments transferred to profit or loss		-	12,657,788	-	-
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss		-	(2,531,557)	-	-
<i>Components of other comprehensive income that will not be reclassified to profit or loss</i>					
Gains on remeasurements of defined benefit plan	17	4,610,462	-	4,610,462	-
Other comprehensive income (expense) for the year, net of tax		(15,780,630)	(17,030,778)	4,610,462	-
Total comprehensive income for the year		207,928,423	238,617,223	223,695,155	254,965,441
Basic earnings per share	27	0.34	0.39	0.33	0.39

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

(in Baht)

	Note	Retained earnings			Other components of shareholders' equity					Total shareholders' equity	
		Issued and paid share capital	Share premium	Share premium on treasury shares	Legal reserve	Unappropriated	Translation financial statements	Gains (losses) on remeasurements of defined benefit plans	Investments held as available for sale		Total other components of shareholders' equity
Year ended December 31, 2017											
Balance at January 1, 2017 before reclassify		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
Reclassify		-	-	-	-	6,155,011	-	(6,155,011)	-	(6,155,011)	-
Balance at January 1, 2017 after reclassify		658,434,300	222,105,000	7,429,904	65,843,430	1,620,984,809	-	(6,155,011)	(10,126,231)	(16,281,242)	-
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
Dividend paid	28	-	-	-	-	(65,843,430)	-	-	-	-	(65,843,430)
Balance at December 31, 2017		658,434,300	222,105,000	7,429,904	65,843,430	1,810,789,380	(27,157,009)	(6,155,011)	-	(33,312,020)	2,731,289,994

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

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HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SEPARATE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

(in Baht)

Year ended December 31, 2017	Note	Retained earnings					Other components of shareholders' equity		
		Issued and paid share capital	Share premium	Share premium on treasury shares	Legal reserve	Unappropriated	Gains (losses) on remeasurements of defined benefit plans	components of shareholders' equity	Total shareholders' equity
Balance at January 1, 2017 before reclassify		658,434,300	222,105,000	7,429,904	65,843,430	1,615,709,884	-	-	2,569,522,518
Reclassify		-	-	-	-	6,155,011	(6,155,011)	(6,155,011)	-
Balance at January 1, 2017 after reclassify		658,434,300	222,105,000	7,429,904	65,843,430	1,621,864,895	(6,155,011)	(6,155,011)	2,569,522,518
Comprehensive income (expense) for the year									
Profit		-	-	-	-	254,965,441	-	-	254,965,441
Total comprehensive income (expense) for the year		-	-	-	-	254,965,441	-	-	254,965,441
Dividend paid	28	-	-	-	-	(65,843,430)	-	-	(65,843,430)
Balance at December 31, 2017		658,434,300	222,105,000	7,429,904	65,843,430	1,810,986,906	(6,155,011)	(6,155,011)	2,758,644,529

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SEPARATE FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

(in Baht)

	Note	Issued and paid share capital	Share premium	Share premium on treasury shares	Retained earnings		Other components of shareholders' equity		
					Legal reserve	Unappropriated	Gains (losses) on remeasurements of defined benefit plans	components of shareholders' equity	Total other components of shareholders' equity
Year ended December 31, 2018									
Balance at January 1, 2018		658,434,300	222,105,000	7,429,904	65,843,430	1,810,986,906	(6,155,011)	(6,155,011)	2,758,644,529
Comprehensive income (expense) for the year									
Profit		-	-	-	-	219,084,693	-	-	219,084,693
Other comprehensive income (expense)		-	-	-	-	-	4,610,462	4,610,462	4,610,462
Total comprehensive income (expense) for the year		-	-	-	-	219,084,693	4,610,462	4,610,462	223,695,155
Dividend paid	28	-	-	-	-	(131,686,860)	-	-	(131,686,860)
Balance at December 31, 2018		658,434,300	222,105,000	7,429,904	65,843,430	1,898,384,739	(1,544,549)	(1,544,549)	2,850,652,824

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASHFLOW

(in Baht)

	Consolidated Financial Statement		Separate Financial Statement	
	For the year ended		For the year ended	
	December 31		December 31	
	2018	2017	2018	2017
<i>Cash flows from operating activities</i>				
Profit for the year	223,709,053	255,648,001	219,084,693	254,965,441
Adjustments to reconcile profit to cash receipts (payments)				
Tax expense	49,644,132	65,303,902	49,644,132	63,843,532
Finance costs	3,961,688	255,431	3,921,340	255,431
Depreciation and amortisation	84,836,724	80,541,630	84,831,224	80,536,130
Impairment loss on investment	-	31,363,540	-	34,442,786
Non-current provisions for employee benefit	5,480,322	5,134,961	5,480,322	5,134,961
Unrealised loss on exchange rate	3,137,078	1,889,146	3,602,356	2,081,908
Share of loss of associates	507,204	2,086,027	-	-
Loss on investment in associates company	1,533,870	-	3,877,275	-
(Reversal of) doubtful debts expenses	8,343,110	(9,207,142)	8,343,110	(9,207,142)
(Reversal of) loss on inventory valuation	2,471,207	(3,887,850)	2,471,207	(3,887,850)
Gain on disposal of equipment	(5,094,831)	(7,198,821)	(5,094,831)	(7,198,821)
Loss on revaluation of investment property	118,240	-	-	-
Loss on sale of shares of other company	198,002	-	-	-
Interest income	(4,940,346)	(5,386,820)	(4,842,179)	(5,357,648)
Dividend income	(130,672)	(1,097,355)	-	(559,000)
	373,774,781	415,444,650	371,318,649	415,049,728

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASHFLOW

(in Baht)

	Consolidated Financial Statement		Separate Financial Statement	
	For the year ended		For the year ended	
	December 31		December 31	
	2018	2017	2018	2017
Changes in operating assets and liabilities				
Trade accounts receivable	298,267	(77,300,679)	2,322,061	(77,300,679)
Other current receivables	(7,119,950)	(5,539,719)	(9,599,069)	(9,084,612)
Inventories	34,113,134	(96,652,435)	34,557,483	(97,192,032)
Other current assets	14,921,588	(5,744,422)	15,982,756	(5,770,358)
Other non-current assets	(203,955)	-	-	-
Trade accounts payable	(27,581,320)	15,767,458	(27,422,036)	15,646,074
Other current payables	(13,171,228)	(21,547,445)	(13,610,011)	(21,551,770)
Accrued expenses	(11,196,785)	(11,804,425)	(10,540,402)	(13,269,245)
Other current liabilities	(383,860)	31,729,610	(582,164)	31,723,435
Net cash generated from operating	363,450,672	244,352,593	362,427,267	238,250,541
Employee benefit paid	(780,723)	-	(780,723)	-
Taxes paid	(48,409,068)	(85,927,708)	(48,513,283)	(85,927,708)
Net cash from (used in) operating activities	314,260,881	158,424,885	313,133,261	152,322,833

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASHFLOW

(in Baht)

	Consolidated Financial Statement		Separate Financial Statement	
	For the year ended		For the year ended	
	December 31		December 31	
	2018	2017	2018	2017
<i>Cash flows from investing activities</i>				
Short-term investments	(40,000,000)	200,000,000	(40,000,000)	200,000,000
Deposit with restriction	(200,000,000)	-	(200,000,000)	-
Acquisition of subsidiary	-	-	-	(346,698,000)
Cash receive from associate companies	15,350,087	-	15,350,087	-
Proceeds from sale of shares of other company	9,525,277	-	-	-
Cash paid on purchase of shares of other company	-	(3,052,111)	-	-
Proceeds from sale of equipment	13,696,193	10,257,917	13,696,193	10,257,917
Acquisition of property, plant and equipment	(501,339,377)	(389,729,342)	(500,277,582)	(126,862,711)
Dividend received	-	1,656,355	-	559,000
Interest received	4,905,063	5,772,514	4,806,896	5,743,342
Net cash (used in) investing activities	(697,862,757)	(175,094,667)	(706,424,406)	(257,000,452)
<i>Cash flows from financing activities</i>				
Dividend paid to shareholders	(131,686,860)	(65,843,430)	(131,686,860)	(65,843,430)
Interest paid	(3,446,148)	(255,431)	(3,405,800)	(255,431)
Payment of financial lease payable	(2,074,000)	-	(2,074,000)	-
Cash from long-term loan from financial institution	145,254,018	-	145,254,018	-
Net cash from (used in) financing activities	8,047,010	(66,098,861)	8,087,358	(66,098,861)

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

HWA FONG RUBBER (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASHFLOW

	(in Baht)			
	Consolidated Financial Statement		Separate Financial Statement	
	For the year ended		For the year ended	
	December 31		December 31	
	2018	2017	2018	2017
Net (decrease) in cash and cash equivalents,				
before effect of exchange rates	(375,554,866)	(82,768,643)	(385,203,787)	(170,776,480)
Effect of exchange rate changes on cash and cash equivalents	(4,523,231)	(9,410,298)	(5,441)	77,242
Net (decrease) in cash and cash equivalents	(380,078,097)	(92,178,941)	(385,209,228)	(170,699,238)
Cash and cash equivalents at beginning of year	845,809,207	937,988,148	753,885,176	924,584,414
Cash and cash equivalents at ending of year	465,731,110	845,809,207	368,675,948	753,885,176

Supplemental disclosures of cash flows information:

1. Property, plant and equipment purchased during the year are detailed as follows:

Increase in property, plant and equipment	512,805,288	398,120,688	511,743,493	135,254,057
Change in payables on purchase of plant and equipment	(7,575,911)	(8,391,346)	(7,575,911)	(8,391,346)
Net purchase of property, plant and equipment paid by cash	505,229,377	389,729,342	504,167,582	126,862,711
2. Purchase of vehicles under finance lease agreements	3,890,000	-	3,890,000	-
3. Transfer property, plants and equipment to investment property	246,243,437	-	-	-

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

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

**Notes to the financial statements
For the year ended December 31, 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.

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 consolidated financial statements for the year ended December 31, 2018, has included the financial statements of domestic and overseas subsidiaries, HFT Holding Co., Ltd. and PT. Hwa Fong Rubber Indonesia respectively. The financial statements for those subsidiaries reflect total assets as of December 31, 2018 amount of Baht 380.48 million, (equivalent to 11.39% of total assets in the consolidated financial statement), total liabilities amount of Baht 7.85 million (equivalent to 1.47% of total liabilities in the consolidated financial statement) and net profit for the year then ended amounting Baht 2.78 million (equivalent to 1.24% of net profit in the consolidated financial statement)

The consolidated financial statements include the financial statements of Hwa Fong Rubber (Thailand) Public Company Limited and its Subsidiary companies after which the balances and significant intercompany transactions have been eliminated.

An English language version of the financial statements has been prepared from the statutory financial statements that were issued in Thai language. In case of conflict or difference in understanding, the financial statements in Thai language shall prevail.

(b) Adoption of new financial reporting standards

(1) Financial reporting standards which are effective for the current year

During the year, Company adopted a number of revised and new accounting standards and financial reporting standards including their interpretations, issued by the Federation of Accounting Professions, which are effective for financial statements year beginning on or after January 1, 2018. Adoption of the above financial reporting standards in the current period does not have material effect on the financial statements.

(2) Financial reporting standards which are not effective for the current year

During the year, the Federation of Accounting Professions has issued the revised and new accounting standard, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations, which are effective for financial statements period beginning on or after January 1 in the year indicated as follows:

		<u>Year effective</u>
Accounting Standard		
TAS 1	Presentation of Financial Statements (revised 2018)	2019
TAS 2	Inventories (revised 2018)	2019
TAS 7	Statement of Cash Flows (revised 2018)	2019
TAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (revised 2018)	2019
TAS 10	Events after the Reporting Period (revised 2018)	2019
TAS 12	Income Taxes (revised 2018)	2019
TAS 16	Property, Plant and Equipment (revised 2018)	2019
TAS 17	Leases (revised 2018)	2019
TAS 19	Employee Benefits (revised 2018)	2019
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance (revised 2018)	2019
TAS 21	The Effects of Changes in Foreign Exchange Rates (revised 2018)	2019
TAS 23	Borrowing Costs (revised 2018)	2019
TAS 24	Related Party Disclosures (revised 2018)	2019
TAS 26	Accounting and Reporting by Retirement Benefit Plans (revised 2018)	2019
TAS 27	Separate Financial Statements (revised 2018)	2019
TAS 28	Investments in Associates and Joint Ventures (revised 2018)	2019
TAS 29	Financial Reporting in Hyperinflationary Economies (revised 2018)	2019
TAS 32	Financial Instruments: Presentation	2020
TAS 33	Earnings per Share (revised 2018)	2019
TAS 34	Interim Financial Reporting (revised 2018)	2019
TAS 36	Impairment of Assets (revised 2018)	2019
TAS 37	Provisions, Contingent Liabilities and Contingent Assets (revised 2018)	2019
TAS 38	Intangible Assets (revised 2018)	2019
TAS 40	Investment Property (revised 2018)	2019
TAS 41	Agriculture (revised 2018)	2019
Financial Reporting Standard		
TFRS 1	First - time Adoption of Thai Financial Reporting Standards	2019
TFRS 2	Share - based Payment (revised 2018)	2019
TFRS 3	Business Combinations (revised 2018)	2019

Year effective

TFRS 5	Non - current Assets Held for Sale and Discontinued Operations (revised 2018)	2019
TFRS 6	Exploration for and Evaluation of Mineral Resources (revised 2018)	2019
TFRS 7	Financial Instruments : Disclosures	2020
TFRS 8	Operating Segments (revised 2018)	2019
TFRS 9	Financial Instruments	2020
TFRS 10	Consolidated Financial Statements (revised 2018)	2019
TFRS 11	Joint Arrangements (revised 2018)	2019
TFRS 12	Disclosure of Interests in Other Entities (revised 2018)	2019
TFRS 13	Fair Value Measurement (revised 2018)	2019
TFRS 15	Revenue from Contracts with Customers	2019

Accounting Standard Interpretations

TSIC 10	Government Assistance - No Specific Relation to Operating Activities (revised 2018)	2019
TSIC 15	Operating Leases - Incentives (revised 2018)	2019
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders (revised 2018)	2019
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease (revised 2018)	2019
TSIC 29	Service Concession Arrangements: Disclosures (revised 2018)	2019
TSIC 32	Intangible Assets - Web Site Costs (revised 2018)	2019

Financial Reporting Standard Interpretations

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities (revised 2018)	2019
TFRIC 4	Determining whether an Arrangement contains a Lease (revised 2018)	2019
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (revised 2018)	2019
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies (revised 2018)	2019
TFRIC 10	Interim Financial Reporting and Impairment (revised 2018)	2019
TFRIC 12	Service Concession Arrangements (revised 2018)	2019
TFRIC 14	TAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (revised 2018)	2019
TFRIC 16	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 17	Distributions of Non - Cash Assets to Owners (revised 2018)	2019
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	2020
TFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (revised 2018)	2019

Year effective

TFRIC 21 Levies (revised 2018)

2019

The management of the Company has assessed TAS, TFRS, TSIC and TFRIC which are effective for financial statement year beginning on or after January 1, 2019 as follows:

- 1) TAS 1, TAS 2, TAS 7, TAS 8, TAS 10, TAS 12, TAS 16, TAS 17, TAS 19, TAS 21, TAS 23, TAS 24, TAS 27, TAS 28, TAS 33, TAS 34, TAS 36, TAS 37, TAS 38 and TFRS 8, TFRS 10, TFRS 11, TFRS 12 and TFRS 13 will not have material impact on the financial statements when they are applied.
- 2) For TFRS 15, the management assessed the impact of adoption of this accounting standard effecting to sales transactions related to “Contract for special product”, the management assessed that the transactions are transferred control of a good to a customer according to performance completed to date. Thus these transactions shall be recognized as revenue by reference to the stage of completion. Previously, these transactions are recognized as revenue when goods are delivered and the risk and reward of goods ownership are transferred to customers.
- 3) The other TAS, TFRS, TSIC and TFRIC which have not been stated in No.1) and No.2) are not relevant to the Group business, therefore they do not have impact on the financial statement when they are applied.

And the management is currently evaluating the impact of TAS, TFRS and TFRIC which are effective for financial statements year beginning on or after January 1, 2020 to the financial statements when they are adopted.

(c) Basis of measurement

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

Items	Measurement bases
Available-for-sale investments	Fair value
Investment property	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (l)

(d) Functional and presentation currency

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

(e) 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 8	Measurement of net realisable value of inventories; and
Note 17	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) Investment property

Investment property is stated at fair value, representing open market value determined by independent valuation and the Group's directors. Changes in the fair value of investment property, net of deferred income tax, is included in the statement of comprehensive income for the period in which it arises.

(h) 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.

(i) 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.

(j) Interest-bearing liabilities

Interest-bearing liabilities are recognised at cost.

(k) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Finance costs

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

(q) 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.

(r) 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.

(s) **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.

(t) **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 9 and 10. Relationship with key management and other related parties were as follows:

Company's name	Nature of business	Relationship	Country of incorporation	Percentage of shareholding	
				December 31 2018	December 31 2017
<u>SUBSIDIARIES</u>					
HFT Holding Co., Ltd.	Investing in bonds and securities, wholesale and retail trading of tires and tubes and equipment for vehicles	Shareholding and co-directors	Thailand	99.99	99.99
PT. Hwa Fong Rubber Indonesia	Manufacturer and distributor of motorcycle tire and tube	Shareholding and co-directors	Indonesia	99.00	99.00

Company's name	Nature of business	Relationship	Country of incorporation	Percentage of shareholding	
				December 31 2018	December 31 2017
<u>ASSOCIATES</u>					
The Ascent (Thailand) Co., Ltd. ⁽¹⁾	Trading of bicycles and motorcycles	Shareholding	Thailand	43.00	43.00
Chital International Trading Co., Ltd. ⁽²⁾	Trading of bicycles, motorcycles and tires including related spare parts	Shareholding	Taiwan	-	45.00
<u>RELATED COMPANIES</u>					
Sumitomo Rubber Industries Limited	Products in the fields of tires, sports and industrial products	Shareholding in Parent	Japan	-	-
Hwa Fong Rubber Industries Co., Ltd.	Trading of bicycles, motorcycles and tires including related spare parts	Parent	Taiwan	-	-
Hwa Fong Rubber (U.S.A.) Inc.	Sells various types of tires	Subsidiary of Parent	United States of America	-	-
Hwa Zhong (B.V.I.) Holding Corp.	General trade and investment	Subsidiary of Parent	British Virgin Island	-	-
HFR Holding Corp.	General trade and investment	Subsidiary of Parent	China	-	-
Hwa Fong Rubber (Hong Kong) Ltd.	General trade and investment	Subsidiary of Parent	Hong Kong	-	-
Hwa Fong Rubber (Singapore) Holding	General trade and investment	Subsidiary of Parent	Singapore	-	-
Sino Hwa Fong Enterprise Co., Ltd.	General trade and investment	Subsidiary of Parent	Taiwan	-	-
Sino Hwa Fong Biotechnology Co., Ltd.	General trade and investment	Subsidiary of Parent	Taiwan	-	-
Hwa Fong Rubber (Suzhou) Co., Ltd.	Produces and sells various types of automotive tires	Subsidiary of Parent	China	-	-
Hwa Fong Rubber (China) Co., Ltd.	Produces and sells various types of automotive tires	Subsidiary of Parent	China	-	-

⁽¹⁾ Registered for liquidation on February 27, 2018. On June 4, 2018 and August 27, 2018, the Company received totally Baht 7.44 million as partial of an investment from the liquidation of an associate.

⁽²⁾ Registered for liquidation on January 10, 2018. The liquidation has been complete and the Company received cash from the liquidation on May 3, 2018.

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

Transactions

Sale of goods

Dividend income

Purchase of raw material and merchandise goods

Purchase of equipment

Technical assistance expense

Trademark usage expense

Tread pattern right expense

Other expenses

Management fee

Pricing policies

Market price

As announced in the minute of shareholders' meeting

Market price

Market price

Contractually agreed price

Contractually agreed price

Contractually agreed price

Contractually agreed price

Amount approved by the directors and/or the shareholders

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

<i>Year ended December 31</i>	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Parent				
Sale of goods	11,009	16,951	11,009	16,698
Purchase of raw material and merchandise goods	11,740	12,379	11,740	12,379
Purchase of equipment	3,158	2,287	3,158	2,287
Technical assistance expense	4,893	3,434	4,893	3,434
Trademark usage expense	5,775	6,521	5,775	6,521
Tread pattern right expense	1,139	1,202	1,139	1,202
Other expenses	7,408	6,658	7,408	6,658
Associate				
Sale of goods	904	30,095	904	30,095
Dividend income	-	-	-	599
Other related parties				
Sale of goods	146,075	117,490	146,075	117,490
Purchases of raw material and merchandise goods	5	-	5	-
Purchase of equipment	-	560	-	560
Trademark usage expense	2,493	2,489	2,493	2,489
Other expenses	916	1,708	916	1,708
Key management personnel compensation				
Short-term employee benefit	6,900	13,349	6,900	13,349
Post-employment benefits	144	140	144	140
Total key management personnel compensation	<u>7,044</u>	<u>13,489</u>	<u>7,044</u>	<u>13,489</u>

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

<i>Trade accounts receivable - related parties</i>	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	2,426	2,693	2,426	2,693
Associate				
The Ascent (Thailand) Co., Ltd.	-	5,885	-	5,885
Other related parties				
Hwa Fong Rubber (U.S.A.) Inc.	19,146	19,301	19,146	19,301
Hwa Fong Rubber (China) Ltd.	4,193	4,219	4,193	4,219
Sumitomo Rubber Industries limited	3,204	3,342	3,204	3,342
Hwa Fong Rubber (Hong Kong) Ltd.	-	1,342	-	1,342
Total	<u>28,969</u>	<u>36,782</u>	<u>28,969</u>	<u>36,782</u>

<i>Trade accounts payable - related parties</i>	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	2,009	3,104	2,009	3,104
Total	2,009	3,104	2,009	3,104

<i>Other current payables - related parties</i>	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Parent				
Hwa Fong Rubber Ind. Co., Ltd.	3,992	8,009	3,992	8,009
Associate				
The Ascent (Thailand) Co., Ltd.	-	69	-	69
Other related parties				
Sumitomo Rubber Industries Limited	1,286	1,490	1,286	1,490
Hwa Fong Rubber (China) Co., Ltd.	903	38	903	38
Hwa Fong Rubber (U.S.A.) Inc.	329	-	329	-
Total	6,510	9,606	6,510	9,606

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

On January 1, 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.

On June 15, 2018, the Company amended the Technical Assistance Agreements by adjusting the technical assistance fee to USD 150,000 per annum effective from January 1, 2018.

Trademarks license agreements

- On August 27, 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.
- On September 24, 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 May 1, 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 January 1, 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 December 31, 2018.

5 Cash and cash equivalents

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash on hand	193	285	185	279
Cash at banks - current accounts	74,347	3,235	2,081	3,214
Cash at banks - savings accounts	361,191	592,289	336,409	500,392
Highly liquid short-term investments	30,000	250,000	30,000	250,000
Cash and cash equivalents in the statement of financial position	465,731	845,809	368,675	753,885

6 Other investments

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<i>Current investments</i>				
Bills of exchange	40,000	-	40,000	-
Equity security available for sale	-	9,723	-	-
	40,000	9,723	40,000	-
<i>Other long-term investment</i>				
Equity security available for sale	26,614	41,120	-	-
	26,614	41,120	-	-
Total	66,614	50,843	40,000	-

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

	(in thousand Baht)	
	Consolidated	
	financial statements	
	2018	2017
<i>Current investment</i>		
Available-for-sale security		
At January 1	9,723	10,205
Purchases during the year	-	3,052
Sales during the year	(9,525)	-
Valuation adjustment	(198)	(3,534)
At December 31	-	9,723
<i>Other long-term investment</i>		
Available-for-sale security		
At January 1	41,120	56,293
Valuation adjustment	(14,506)	(15,173)
At December 31	26,614	41,120

7 Trade accounts receivable

		(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2018	2017	2018	2017
Related parties	4	28,969	36,782	28,969	36,782
Other parties		651,487	648,711	649,469	648,711
Total		680,456	685,493	678,438	685,493
Less allowance for doubtful accounts		(171,623)	(163,775)	(171,623)	(163,775)
Net		508,833	521,718	506,815	521,718
(Reversal of) doubtful debts expense for the year		7,848	(9,737)	7,848	(9,737)

Aging analyses for trade accounts receivable were as follows:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Related parties				
Within credit terms	20,950	32,029	20,950	32,029
Overdue:				
Less than 3 months	3,831	3,410	3,831	3,410
3 - 6 months	-	1,343	-	1,343
6 - 12 months	614	-	614	-
Over 12 months	3,574	-	3,574	-
	28,969	36,782	28,969	36,782
Less allowance for doubtful accounts	(4,193)	-	(4,193)	-
	24,776	36,782	24,776	36,782
Other parties				
Within credit terms	427,280	452,695	425,262	452,695
Overdue:				
Less than 3 months	56,511	35,121	56,511	35,121
3 - 6 months	5,681	5	5,681	5
6 - 12 months	1,175	667	1,175	667
Over 12 months	160,840	160,223	160,840	160,223
	651,487	648,711	649,469	648,711
Less allowance for doubtful accounts	(167,430)	(163,775)	(167,430)	(163,775)
	484,057	484,936	482,039	484,936
Net	508,833	521,718	506,815	521,718

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 December 31, 2018, 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 Inventories

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Finished goods	215,630	202,853	215,630	202,853
Work in progress	35,229	35,004	35,229	35,004
Raw materials	194,197	221,959	194,197	221,959
Spare parts and supplies	59,703	50,769	59,703	50,769
Merchandise goods	810	441	235	310
Goods in transit	3,663	34,791	3,663	34,791
Net	509,232	545,817	508,657	545,686
Inventories recognised as an expense in ‘cost of sale of goods’:				
- Cost	2,048,046	2,150,878	2,032,842	2,150,307
- (Reversal) write-down to net realisable value	2,529	(3,888)	2,471	(3,888)
Net total	2,050,575	2,146,990	2,035,313	2,146,419

9 Investments in associates

	(in thousand Baht)			
	Consolidated financial		Separate	
	statements		financial statements	
	2018	2017	2018	2017
At January 1	18,526	21,136	20,388	20,388
Share of net profit (loss) of associates	(507)	(2,086)	-	-
Dividend income	-	(559)	-	-
Loss on investment in associate company	(1,534)	-	(3,877)	-
Currency translation	47	35	-	-
Cash received from liquidation of associate companies	(15,350)	-	(15,350)	-
At December 31	1,182	18,526	1,161	20,388

Investments in associates as at December 31, 2018 and 2017, 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 for the year ended	
			December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31
			2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
			(%)		<i>In thousand Baht</i>							
The Ascent (Thailand) Company Limited	(1)	Thailand	43	43	THB 20,000,000	THB 20,000,000	8,600	8,600	8,621	8,994	-	599
Less : Cash received from liquidation of associate company							(7,439)	-	(7,439)	-	-	-
							<u>1,161</u>	<u>8,600</u>	<u>1,182</u>	<u>8,994</u>	-	<u>599</u>
Chital International Trading Co., Ltd.	(2)	Taiwan	-	45	-	TWD 25,000,000	11,788	11,788	9,445	9,532	-	-
Less : Loss on investment							(3,877)	-	(1,534)	-	-	-
Less : Cash received from liquidation of associate company							(7,911)	-	(7,911)	-	-	-
							-	<u>11,788</u>	-	<u>9,532</u>	-	-
Investment in associates, net							<u>1,161</u>	<u>20,388</u>	<u>1,182</u>	<u>18,526</u>	-	<u>599</u>

(1) International trading of bicycle and motorcycles and was registered for liquidation on February 27, 2018. As of December 31, 2018, the liquidation has not been completed.

(2) Trading of bicycles, motorcycles and tires including related spare parts and was registered for liquidation on January 10, 2018. The liquidation was completed and the settlement of the investment has been received on May 3, 2018.

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

Separate financial statements

Name of associate	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income for the year ended	
	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>In thousand Baht</i>												
The Ascent (Thailand) Company Limited ⁽¹⁾	43	43	THB 20,000,000	THB 20,000,000	8,600	8,600	-	-	8,600	8,600	-	599
Less : Cash received from liquidation of associate company					(7,439))	-	-	-	(7,439)	-	-	-
			1,161		8,600		-		1,161	8,600	-	599
Chital International Trading Co., Ltd. ⁽²⁾	-	45	-	TWD 25,000,000	11,788	11,788	-	-	11,788	11,788	-	-
Less : Loss on investment			(3,877)		-	-	-	-	(3,877)	-	-	-
Less : Cash received from liquidation of associate company			(7,911))		-	-	-	-	(7,911)	-	-	-
			-		11,788		-		-	11,788	-	-
Total			1,161		20,388		-	-	1,161	20,388	-	599

(1) Import and export of bicycle and motorcycles and was registered for liquidation on February 27, 2018. As of December 31, 2018, the liquidation has not been completed.

(2) Trading of bicycles, motorcycles and tires including related spare parts and was registered for liquidation on January 10, 2018. The liquidation was completed and the settlement of the investment has been received on May 3, 2018.

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

	(in thousand Baht)			
	The Ascent (Thailand) Company Limited		CHITAL INTERNATIONAL TRADING CO., LTD.	
	2018	2017	2018	2017
Revenue	2,382	40,316	(25)	5,718
Profit (loss) from continuing operations	(867)	(1,574)	(299)	(3,132)
Total comprehensive income (100%)	(867)	(1,574)	(299)	(3,132)
Total comprehensive income of the Group's interest	(373)	(677)	(134)	(1,409)
Group's share of total comprehensive income	(373)	(677)	(134)	(1,409)
Current assets	2,756	27,440	-	20,210
Non-current assets	-	49	-	4,691
Current liabilities	(7)	(6,573)	-	(3,719)
Net assets (100%)	2,749	20,916	-	21,182
Group's share of net assets	1,182	8,994	-	9,532
Carrying amount of interest in associates	1,182	8,994	-	9,532

10 Investments in subsidiaries

	(in thousand Baht)	
	Separate financial statements	
	2018	2017
At January 1	412,255	100,000
Acquisitions	-	346,698
Allowance for impairment	-	(34,443)
At 31 December	412,255	412,255

Acquisition

On February 7, 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 December 31, 2018 and 2017, 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	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		<i>(%)</i>									
		<i>In thousand Baht</i>									
HFT Holding Co., LTD.	(1)	99.99		THB 100,000,000	THB 100,000,000	100,000	100,000	34,443	34,443	65,557	65,557
PT. Hwa Fong Rubber Indonesia	(2)	99.00		IDR 131,620,000	IDR 131,620,000	346,698	346,698	-	-	346,698	346,698
Total						446,698	446,698	34,443	34,443	412,255	412,255

(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.

11 Investment property

	In thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2107
At January 1	-	-	-	-
Transfer from property, plants and equipment	246,243	-	-	-
Loss on revaluation	(118)	-	-	-
At December 31	246,125	-	-	-

A subsidiary in foreign country invested in 2 pieces of land which have not been utilized for business purposes. In 2018, the subsidiary transferred both pieces of land to “Investment properties” account which presented at fair value based on reports from the Independent appraisers dated November 26, 2018 and February 4, 2019.

12 Property, plant and equipment

	(in thousand Baht)					
	Consolidated financial statements					
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installation
						Total
Cost						
At January 1, 2017	112,152	396,592	1,939,324	19,735	77,356	2,552,847
Additions	182,801	6,716	8,264	1,431	7,850	398,121
Transfers	-	1,347	50,205	70	1,299	-
Disposals	-	-	(22,427)	(2,086)	(29)	(24,542)
Effect of movements in exchange rates	(6,839)	-	-	-	-	(17,685)
At December 31, 2017 and January 1, 2018	288,114	404,655	1,975,366	19,150	86,476	2,908,741
Additions	196,975	1,679	14,704	848	11,480	504,361
Transfers	80,281	2,810	53,951	12	1,453	-
Transfer to investment property	(246,243)	-	-	-	-	(246,243)
Disposals	-	-	(49,111)	(46)	(5,498)	(54,655)
At December 31, 2018	319,127	409,144	1,994,910	19,964	93,911	3,112,204
Depreciation						
At January 1, 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 December 31, 2017 and January 1, 2018	-	190,198	1,546,161	15,386	59,115	1,810,860
Depreciation charge for the year	-	11,381	66,029	1,126	6,045	84,581
Disposals	-	-	(49,065)	(44)	(5,388)	(54,497)
At December 31, 2018	-	201,579	1,563,125	16,468	59,772	1,840,944
Net book value						
At January 1, 2017	112,152	217,393	436,086	4,645	23,082	801,046
At December 31, 2017 and January 1, 2018	288,114	214,457	429,205	3,764	27,361	1,097,881
At December 31, 2018	319,127	207,565	431,785	3,496	34,139	1,271,260

	(in thousand Baht)				
	Separate financial statements				
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles
					Assets under construction and installation
					Total
Cost					
At January 1, 2017	112,152	396,592	1,939,324	19,680	77,356
Additions	-	6,716	8,264	1,431	7,850
Transfers	-	1,347	50,205	70	1,299
Disposals	-	-	(22,427)	(2,086)	(29)
At December 31, 2017 and January 1, 2018	112,152	404,655	1,975,366	19,095	86,476
Additions	196,975	1,679	14,703	849	11,479
Transfers	10,000	2,810	53,951	11	1,453
Disposals	-	-	(49,111)	(46)	(5,497)
At December 31, 2018	319,127	409,144	1,994,909	19,909	93,911
					275,148
					2,663,504
					503,298
					-
					(54,654)
					3,112,148
Depreciation					
At January 1, 2017	-	179,199	1,503,238	15,075	54,274
Depreciation charge for the year	-	10,999	63,388	1,279	4,870
Disposals	-	-	(20,465)	(989)	(29)
At December 31, 2017 and January 1, 2018	-	190,198	1,546,161	15,365	59,115
Depreciation charge for the year	-	11,381	66,029	1,121	6,044
Disposals	-	-	(49,065)	(43)	(5,388)
At December 31, 2018	-	201,579	1,563,125	16,443	59,771
					-
					1,810,839
					84,575
					(54,496)
					1,840,918
Net book value					
At January 1, 2017	112,152	217,393	436,086	4,605	23,082
At December 31, 2017 and January 1, 2018	112,152	214,457	429,205	3,730	27,361
At December 31, 2018	319,127	207,565	431,784	3,466	34,140
					65,760
					275,148
					852,665
					1,271,230

As at December 31, 2018, the Company has a portion of vehicles amount Baht 3.89 million under hires purchase agreements.

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at December 31, 2018 amounted to Baht 1,295.35 million (2017: Baht 1,289.12 million).

As at December 31, 2018, certain parcels of land with amount of Baht 206.98 million has been mortgaged as part of the collaterals of the long-term loan facility amounting totally Baht 1,000 million (Note 16).

13 Deferred tax

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

	(in thousand Baht)			
	Assets		Liabilities	
	2018	2017	2018	2017
Total	30,874	30,940	2,819	(2,640)
Set off of tax	(2,819)	(2,640)	(2,819)	2,640
Net deferred tax assets (liabilities)	28,055	28,300	-	-

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

	(in thousand Baht)			
		(Charged) / credited to		
	At January 1, 2018	Profit or loss	Other comprehensive income	At December 31, 2018
Deferred tax assets				
Accounts receivable (<i>doubtful accounts</i>)	21,450	1,111	-	22,561
Other current receivables (<i>doubtful accounts</i>)	247	(101)	-	146
Inventories (<i>allowance for decline in value</i>)	1,728	461	-	2,189
Employee benefit obligations	6,308	823	(1,153)	5,978
Provisions (<i>general</i>)	1,207	(1,207)	-	-
Total	30,940	1,087	(1,153)	30,874
Deferred tax liability				
Property, plant and equipment (<i>depreciation gap</i>)	(2,640)	(179)	-	(2,819)
Total	(2,640)	(179)	-	(2,819)
Net	28,300	908	(1,153)	28,055

	(in thousand Baht)			
	Consolidated financial statements			
	(Charged) / credited to			
	At January 1, 2017	Profit or loss	Other comprehensive income	At December 31, 2017
Deferred tax assets				
Marketable securities <i>(increase in fair value)</i>	2,532	-	(2,532)	-
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
Loss carry forward	1,460	(1,460)	-	-
Total	38,765	(5,293)	(2,532)	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	36,471	(5,639)	(2,532)	28,300

	(in thousand Baht)			
	Separate financial statements			
	(Charged) / credited to			
	At January 1, 2017	Profit or loss	Other comprehensive income	At December 31, 2017
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

14 Trade accounts payable

		(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2018	2017	2018	2017
Related parties	4	2,009	3,104	2,009	3,104
Other parties		159,516	187,138	159,516	186,978
Total		161,525	190,242	161,525	190,082

15 Other current payables

		(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2018	2017	2018	2017
Related parties	4	6,510	9,606	6,510	9,606
Others					
Accrued operating expenses		60,737	73,313	60,611	73,313
Payables for purchase of plant and equipment		17,644	9,623	17,644	9,623
Advance payment		10,178	12,754	10,158	12,754
Retention		6,979	2,640	6,979	2,640
Total		102,048	107,936	101,902	107,936

16 Long-term loans

		(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Long - term loans (Note 16.1)		145,770	-	145,770	-
Finance lease payables		1,816	-	1,816	-
Total		147,586	-	147,586	-
<u>Less</u> Current portion of long - term liabilities					
- Long - term loans (Note 16.1)		(445)	-	(445)	-
- Finance lease payables		(324)	-	(324)	-
Total		(769)	-	(769)	-
Net		146,817	-	146,817	-

16.1 Long-term loans

As at December 31, 2018 and 2017, the Company has long-term loans with commercial bank as follows:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Long - term loans	146,754	-	146,754	-
Accrued interest	445	-	445	-
<u>Less</u> Deferred front and fee - net	(1,429)	-	(1,429)	-
	145,770	-	145,770	-
<u>Less</u> Current portion due within one year	(445)	-	(445)	-
Net	145,325	-	145,325	-

Change in long - term loans for the year ended December 31, 2018 are as follows:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
At January 1	-	-	-	-
Increase	146,754	-	146,754	-
Repay	-	-	-	-
At December 31	146,754	-	146,754	-

On March 21, 2018, the Company entered into a loan contract with a commercial bank with the loan facilities of Baht 1,000 million, the interest rate for the 1st – 2nd years are at MLR – 3.725% p.a. and for the third year onward are at MLR – 3.525 p.a. Loan repayments are Baht 47 million per quarter for the first 20 installments starting from March 2020. The 21st installment is to pay the remaining amount of the unpaid loan.

The Company paid the front end fee for loan line Baht 1.5 million, which will recognized as financial costs on the effective rate method over the loan term.

The collaterals for the long-term loan are; mortgaged of land and buildings of plant 3 and pledge of the machines to be installed at the plant. In addition, a saving deposit and a fixed deposit accounts amounting totally Baht 200 million is to be maintained with the bank.

17 Non-current provisions for employee benefits

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Statement of financial position				
Non-current provisions for:				
Post-employment benefits	<u>31,786</u>	<u>32,850</u>	<u>31,786</u>	<u>32,850</u>
Year ended December 31				
Statement of comprehensive income:				
Recognised in profit or loss:				
Post-employment benefits	<u>5,480</u>	<u>5,135</u>	<u>5,480</u>	<u>5,135</u>
Recognised in other comprehensive income:				
Actuarial gain recognised in the year	(4,610)	-	(4,610)	-
Cumulative actuarial losses recognised	<u>1,545</u>	<u>6,155</u>	<u>1,545</u>	<u>6,155</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:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
At January 1	32,850	27,715	32,850	27,715
Include in profit or loss:				
Current service costs	4,607	4,384	4,607	4,384
Interest on obligation	<u>873</u>	<u>751</u>	<u>873</u>	<u>751</u>
	<u>5,480</u>	<u>5,135</u>	<u>5,480</u>	<u>5,135</u>
Included in other comprehensive income				
Actuarial gain	<u>(5,763)</u>	-	<u>(5,763)</u>	-
	<u>(5,763)</u>	-	<u>(5,763)</u>	-
Less liability decrease from actual paid	<u>(781)</u>	-	<u>(781)</u>	-
At 31 December	<u>31,786</u>	<u>32,850</u>	<u>31,786</u>	<u>32,850</u>

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

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Demographic assumptions	164	-	164	-
Financial assumptions	(901)	-	(901)	-
Experience adjustment	(5,026)	-	(5,026)	-
Total	(5,763)	-	(5,763)	-

Actuarial assumptions

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

	(%)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Discount rate	3.02	2.72	3.02	2.72
Future salary increases	5	3.00 - 3.50	5	3.00 - 3.50
Employee turnover rate	1.9 - 45.84	0 - 48	1.9 - 45.84	0 - 48
Retirement age (year)	60	60	60	60

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

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.

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase	Decrease	Increase	Decrease
At December 31, 2018				
Discount rate (1% movement)	(3,044)	3,538	(3,044)	3,538
Future salary growth (1% movement)	3,008	(2,644)	3,008	(2,644)
Turnover rate (20% movement)	(2,635)	3,246	(2,635)	3,246
At December 31, 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

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.

On December 13, 2018, the National Legislative Assembly approved draft of Labour Protection Act. The main point is increasing the rate of benefit of an employee who has past service 20 years or more from 300 days to 400 days. At the present, the draft is in the process of announcement in the Government Gazette. If such law is effect, the Company will have recorded the effect of the change by recognizing post service cost as expenses amount Baht 9.41 million immediately in the income statement.

18 Share capital

	Par value per share (in Baht)	2018		2017	
		Number	Baht	Number	Baht
		(thousand shares / thousand Baht)			
<i>Authorised</i>					
At January 1					
- ordinary shares	1	658,434	658,438	658,434	658,434
At December 31					
- ordinary shares	1	658,434	658,438	658,434	658,434
<i>Issued and paid</i>					
At January 1					
- ordinary shares	1	658,434	658,434	658,434	658,434
At December 31					
- ordinary shares	1	658,434	658,434	658,434	658,434

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.

19 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.

20 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.

21 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:

	(in thousand Baht)					
	Sale of goods		Investing		Total	
	2018	2017	2018	2017	2018	2017
External revenue	2,555,478	2,730,997	-	-	2,555,478	2,730,997
Investment income	-	-	131	1,097	131	1,097
Unallocated amounts					27,118	16,424
Total segment revenue					2,582,727	2,748,518
Segment profit (loss) before income tax	275,569	353,325	(2,110)	(32,373)	273,459	320,952
Segment assets as at December 31	3,291,879	3,078,193	27,796	69,369	3,319,675	3,147,562
Unallocated amounts					21,070	14,802
Consolidated total assets					3,340,745	3,162,364
Segment liabilities as at December 31	533,214	431,074	-	-	533,214	431,074

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

	(in thousand Baht)			
	Revenues		Non-current assets	
	2018	2017	2018	2017
Thailand	787,801	1,016,972	1,500,753	890,503
Asia	1,240,466	1,145,270	272,880	295,834
Europe	305,462	290,123	-	-
America	195,230	235,665	-	-
Others	26,519	42,967	-	-
Total	2,555,478	2,730,997	1,773,633	1,186,337

Major customer

Revenue from one customer of the Group's 1 segment represents approximately Baht 527.75 million (2017: Baht 513.19 million) of the Group's total revenues.

22 Distribution costs

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Packing expenses	70,122	69,442	70,122	69,442
Distribution expenses	44,951	48,631	44,877	48,628
Promotional expenses	34,363	16,547	34,363	16,527
Employee benefit expenses	15,551	18,796	15,551	18,796
Trademark usage expense	8,267	9,010	8,267	9,010
Others	14,596	16,182	14,525	16,153
Total	187,850	178,608	187,705	178,556

23 Employee benefit expenses

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Wages, salaries and bonus	453,829	453,337	453,829	452,836
Defined benefit plan	5,480	5,135	5,480	5,135
Defined contribution plan	536	548	536	548
Others	19,879	26,846	19,879	26,846
Total	479,724	485,866	479,724	485,365

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.

24 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:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Changes in inventories of finished goods and work in progress	14,127	(31,000)	14,127	(31,000)
Raw materials and consumables used	1,252,906	1,397,470	1,252,906	1,397,470
Merchandise goods purchase for sale	28,604	6,660	13,342	6,089
Employee benefit expenses	479,724	485,866	479,724	485,365
Utilities expenses	171,224	158,925	171,224	158,925
Depreciation and amortize	84,836	80,542	84,831	80,536
Packing expenses	70,122	69,442	70,122	69,442
Distribution expenses	44,951	48,631	44,877	48,628
Repair and maintenance	38,189	36,865	38,189	36,865
Impairment losses on investments	1,534	31,364	3,877	34,443
Promotional expenses	34,363	16,547	34,363	16,527
Others	75,876	120,978	72,403	119,814
Total cost of sales of goods, distribution costs and administrative expenses	2,296,456	2,422,290	2,279,985	2,423,104

25 Income tax expense

Income tax recognised in profit or loss

	Note	(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Current tax expense					
Current year		50,772	59,450	50,666	59,450
Adjustment for prior years		(114)	215	(114)	215
		50,658	59,665	50,552	59,665
Deferred tax expense					
Movements in temporary differences	13	(908)	5,639	(908)	4,179
Total income tax expense		49,750	65,304	49,644	63,844

Income tax recognised in other comprehensive income

	(in thousand Baht)					
	Consolidated financial statements					
	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Available-for-sale financial assets	-	-	-	(12,658)	2,532	(10,126)
Defined benefit plan actuarial losses	5,763	(1,153)	4,610	-	-	-
Total	5,763	(1,153)	4,610	(12,658)	2,532	(10,126)

	(in thousand Baht)					
	Separate financial statements					
	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial losses	5,763	(1,153)	4,610	-	-	-
Total	5,763	(1,153)	4,610	-	-	-

Reconciliation of effective tax rate

	Consolidated financial statements			
	2018		2017	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		273,459		320,952
Income tax using the Thai corporation tax rate	20	54,692	20	64,190
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit - net		(4,828)		899
Under (over) provided in prior years		(114)		215
Total	18	49,750	20	65,304

	Separate financial statements			
	2018		2017	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense	20	268,729		318,809
Income tax using the Thai corporation tax rate		53,746	20	63,762
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit - net		(3,968)		(133)
Under (over) provided in prior years		(114)		215
Total	19	49,664	20	63,844

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 January 1, 2016.

26 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:

(in thousand Baht)						
Consolidated financial statements						
	2018			2017		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales	114,270	1,653,407	1,767,677	120,223	1,593,802	1,714,025
Local sales	199,464	588,337	787,801	250,230	766,742	1,016,972
Total revenue	313,734	2,241,744	2,555,478	370,453	2,360,544	2,730,997

(in thousand Baht)						
Separate financial statements						
	2018			2017		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales	114,270	1,637,830	1,752,100	120,223	1,593,549	1,713,772
Local sales	199,464	587,418	786,882	250,230	766,341	1,016,571
Total revenue	313,734	2,225,248	2,538,982	370,453	2,359,890	2,730,343

27 Basic earnings per share

The calculations of basic earnings per share for the years ended December 31, 2018 and 2017 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	
	2018	2017	2018	2017
	(in thousand Baht / thousand shares)			
Profit attributable to ordinary shareholders of the Company (basic)	223,709	255,648	219,085	254,965
Number of ordinary shares outstanding	658,434	658,434	658,434	658,434
Basic earnings per share (<i>in Baht</i>)	0.34	0.39	0.33	0.39

28 Dividends

At the annual general meeting of the shareholders of the Company held on April 21, 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 on May 2017.

At the annual general meeting of the shareholders of the Company held on April 20, 2018, 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 on May 2018.

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

		(in thousand Baht)			
		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
United States Dollars					
Cash and cash equivalents	5	23,660	338,177	13,967	264,673
Trade accounts receivable	7	329,514	275,135	328,954	275,135
Other current receivables		19,421	14,416	19,421	14,319
Trade accounts payable	14	(81,071)	(113,805)	(81,071)	(113,805)
Other current payables	15	(24,426)	(23,524)	(24,426)	(23,524)
		<u>267,098</u>	<u>490,399</u>	<u>256,845</u>	<u>416,798</u>
Taiwanese Dollars					
Cash and cash equivalents	5	1	112	1	112
Equity securities available for sale	6	26,614	50,843	-	-
Other current payable	15	-	(26)	-	(26)
		<u>26,615</u>	<u>50,929</u>	<u>1</u>	<u>86</u>
Euro					
Cash and cash equivalents	5	1,449	993	1,449	993
Trade accounts receivable	7	21,029	28,844	21,029	28,844
Other current receivables		32	-	32	-
Other current payables	15	(272)	(1,192)	(272)	(1,192)
		<u>22,238</u>	<u>28,645</u>	<u>22,238</u>	<u>28,645</u>
Indonesians Rupiah					
Cash and cash equivalents	5	66,334	10,530	-	-
Other non - current assets		141	-	-	-
Accrued expense		(1,136)	(1,302)	-	-
Other current liabilities		(144)	(8)	-	-
		<u>65,195</u>	<u>9,220</u>	<u>-</u>	<u>-</u>
Japanese Yen					
Cash and cash equivalents	5	46	16	46	16
Other current payables	15	(1,286)	(1,489)	(1,286)	(1,489)
		<u>(1,240)</u>	<u>(1,473)</u>	<u>(1,240)</u>	<u>(1,473)</u>
Chinese Yuan Renminbi					
Cash and cash equivalents	5	1,749	1,857	1,749	1,857
Others					
Cash and cash equivalents	5	82	9	-	6
Total exposure		<u>381,737</u>	<u>579,586</u>	<u>279,593</u>	<u>445,919</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.

		(in thousand Baht)			
		Consolidated financial statements			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
December 31, 2018					
<i>Financial assets measured at fair value</i>					
<i>Non-current</i>					
Equity security available for sale	26,614	26,614	-	-	26,614
December 31, 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

30 Commitments with non-related parties

	(in thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>Capital commitments</i>				
<i>Contracted but not provided for</i>				
Land	-	196,696	-	196,696
Building	-	86,703	-	86,703
Machinery and equipment	110,004	13,017	110,004	13,017
Total	110,004	296,416	110,004	296,416
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	2,324	2,330	2,324	2,330
After one year but within five years	314	235	314	235
Total	2,638	2,565	2,638	2,565

	(in thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Other commitments				
Purchase orders for raw materials	192,167	234,020	192,167	234,020
Bank guarantees	22,692	22,690	22,692	22,690
Total	214,859	256,710	214,859	256,710

As at December 31, 2018, the Company had commitments of approximately Baht 7.93 million and USD 3.13 million, relating to purchases of machinery and equipment.

As at December 31, 2018, 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 February 2021.

As at December 31, 2018, the Company had commitments of approximately Baht 63.64 million and USD 3.94 million, relating to purchases of raw materials.

As at December 31, 2018, 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.

31 Events after the reporting period

At the Board of Directors' meeting held on February 25, 2019, the Board approved the appropriation of dividend of Baht 0.11 per share, amounting to Baht 72.43 million. The dividend payment shall be approved by its shareholders at the annual general meeting of shareholders of the Company in April 2019.

32 Reclassification of accounts

Certain accounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements as follows:

Statement of financial position	In thousand Baht					
	Consolidated financial statements			Separate financial statements		
	As previously reported	Reclassifications	After Reclassifications	As previously reported	Reclassifications	After Reclassifications
As at December 31, 2017						
Other current receivables	52,959	(31,184)	21,775	52,730	(31,109)	21,621
Other current assets	-	31,184	31,184	-	31,109	31,109
Other current payables	(92,542)	(15,394)	(107,936)	(92,542)	(15,394)	(107,936)
Other current liabilities	(18,777)	15,394	(3,383)	(18,766)	15,394	(3,372)

33 Approval of the financial statement

The financial statements have been approved by the Company's board of directors on February 25, 2019.



บริษัท ฮั่วฟงรับเบอร์ (ไทยแลนด์) จำกัด (มหาชน)
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