

รายงานประจำปี 2562



# ANNUAL REPORT

## 2019



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

[www.duro.co.th](http://www.duro.co.th) [HwaFongRubberThailand](https://www.facebook.com/HwaFongRubberThailand)



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

**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 2,555 Million Baht in 2018 and 2,737 Million Baht in 2019 which is a increase of 182 Million Baht or 7.12%. The company has an increase in sales from motorcycle tires in the amount of 131.84 Million Baht or 9.15%. This is because increasing distribution channels. 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 2019, the cost of production was decreased by 1.78%. The ratio of cost of sales to turn over was at 81.91% compare to 83.69% in 2018. The cost of raw materials that is adjusted down. As for net profit the company and subsidiaries net profit can be reported at 278.84 Million Baht, a increase from 223.71 Million Baht last year. It is increase 55.13 Million Baht or 24.64% to previous year, with earnings per share of 0.42 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 involved 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**

Year 2019 is a difficult year for the world economic. As part of the economic, we can't hide away from these challenges. Thai GDP growth rate for 2019 is 2.4% compare to 4.1% from 2018. And the registration rate of motorcycle has decrease 3.4%. The farmers Income has decreased as well. Despite the recession of Thai economic, we still record a growth of revenue of 7.09% and push our net profit to increase 24.64%.

We had start implant our management strategy since our involvement of HFT from 2018. And the strategy has state to show its effectiveness. We will keep our direction and looking forward for a brighter future with providing welfare to employees as strategies for achieving sustainability.

While writing this message, around the word is facing a COVID-19 crisis which the company couldn't avoid from such furious challenging issue. We hope to be able to overcome this crisis with the minimize impact with the support from you.

I, on behalf of the Board of Directors and the management team would like to thank you to customers, business partners, shareholder, employees and all relevant parties which participate in part of business to achieve the good results and hopefully that all of you to believe in the company's development business strategy and continue to be a part of the company always.



Mr. Shen, Kuo – Jung

Chairman of Board of Directors

**Report of the Audit Committee**

Dear HFT's Shareholders:

The Audit Committee of Hwa Fong Rubber (Thailand) Public Company Limited (the "Company") consists of four independent directors.

1. MR. HSIAO, CHIN-LUNG	Chairman of Audit Committee
2. MR. MONSIAM SINWORAPUN	Audit Committee member
3. MR. PRONTHEP SURATROONGROJKUL	Audit Committee member
4. MRS. SYUAN WEN	Audit Committee member

During the financial year ended 31 Dec 2019, the Audit Committee is delegated from the Board to provide independent oversight of the Company's financial reports, the effectiveness of internal control, the adequacy of regulatory compliance, and also risk management. Totally 4 meetings were held by Audit Committee during 2019. In such meetings, we have met with the Internal audit to ensure functions are executed appropriately and effectively. Also we discussed with the Company's management and provided financial recommendations independently. Summary works of the Audit Committee in 2019 are as below.

**1. Oversight of financial reports and accounting.**

We have reviewed the quarterly, half-yearly, and annual financial statements in 2019. The Audit Committee was satisfied with the financial reports of the Company which were prepared in accordance with the generally accepted accounting principles. And we have approved the internal audit plan of 2019.

**2. Review the effectiveness of internal control Systems.**

The Audit Committee reviewed the effectiveness of the Company's policies and procedures regarding internal control process.

**3. Oversight of regulatory compliance.**

The Audit Committee reviewed the Company's regulatory compliance risk quarterly. The Audit Committee is responsible to the management in case any law has been amended.

**4. Review of risk management.**

The performance of the Company is subject to market fluctuations and to the risks inherent in all business environment changes. The Audit Committee is responsible for the effectiveness and mitigation of the Company's risk management. The meeting of identification and control major risks is convened regularly. The Company's risk management is sufficiently effective with the internal policies and strategies.

**5. Re-Appointment of external auditor.**

The Company appointed PricewaterhouseCoopers ABAS Ltd. as new external auditor, it was approved by annual general meeting of shareholder in 2019. The Audit Committee recommended the re-appointment of PWC in 2020.



(Mr. Hsiao, Chin-Lung)

Chairman of the Audit Committee

## Business Characteristics

### Company Background

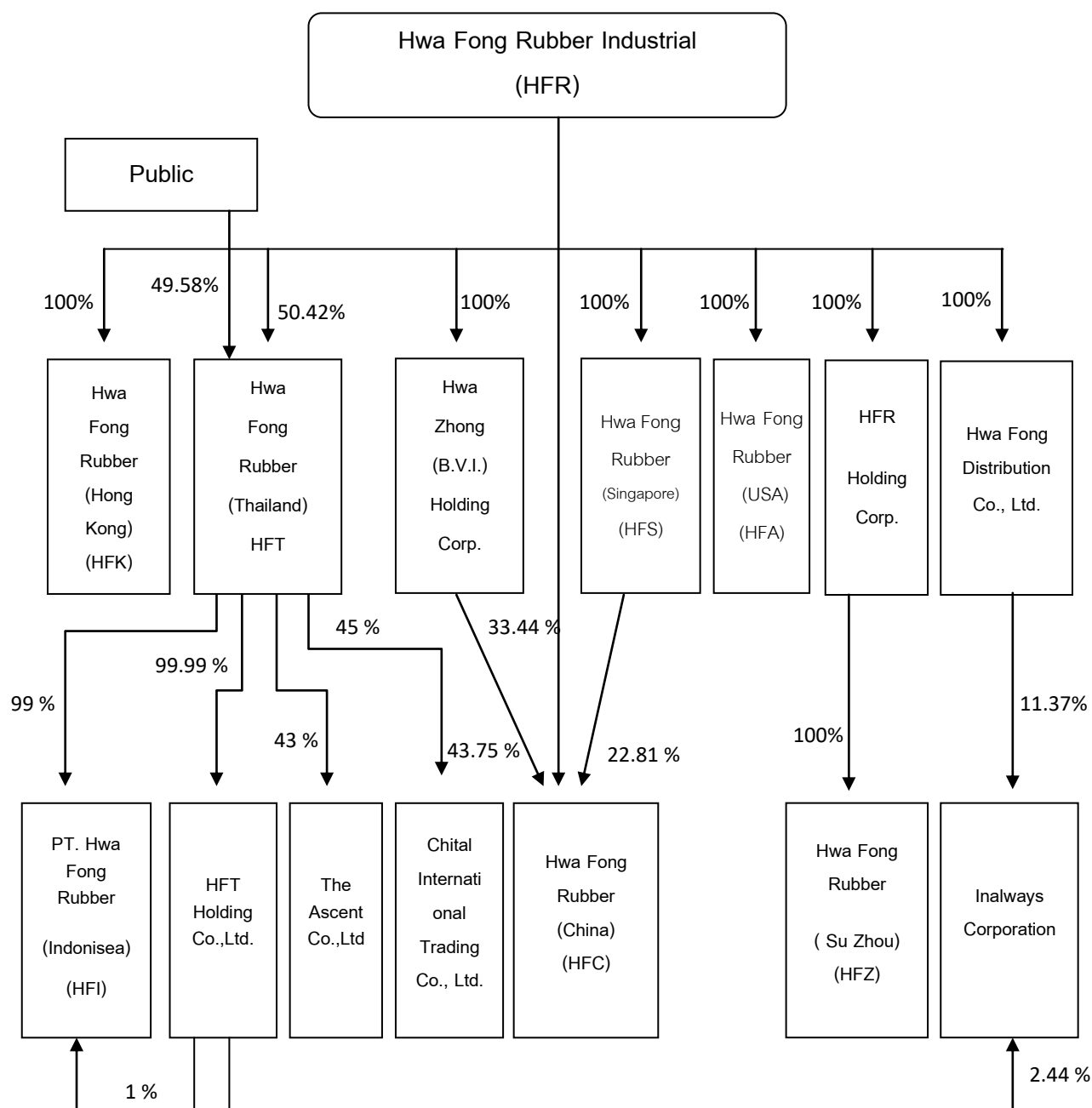
- 1989 - HFT was established on June 2, 1987 with initial registered and paid-up capital to Bt 300 million. HFT is a wholly owned subsidiary of Hwa Fong Rubber Industries Co., Ltd. (Hereinafter called "HFR"), with 99.99% holding stake. Initially, the nature of business was to manufacture bicycle tire 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.
- 2019
  - The Plant 2 factory started production of bicycle tires
  - The Company began manufacturing and selling tires of motorcycles, as had been allowed to expand capacity from the Board of Investment (BOI).
  - Building construction and Purchase machinery to increase production capacity for mixing.

HFT has been established and expertise in the tire and tube business for the period of 34 years with the technology support from HFR, parent company incorporated in Taiwan founded more than 73 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. 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 19<sup>th</sup>, 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 27<sup>th</sup> February 2018. Now under liquidation process.

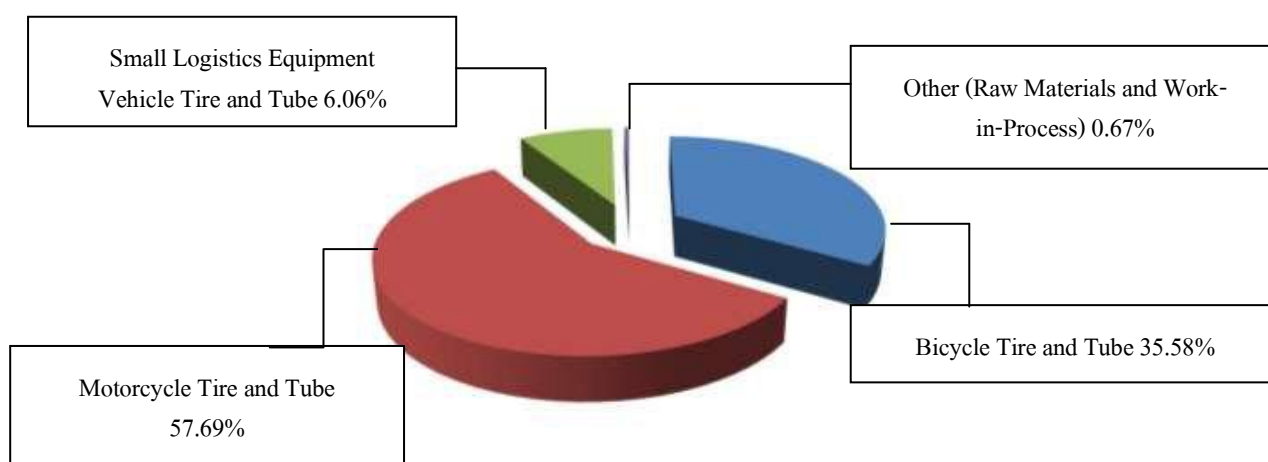
**Chital International Trading Co., Ltd.** is a joint venture with Hwa Fong Rubber (Thailand) Plc. This company was incorporated in Taiwan on October 13, 2014 for selling the bike. Motorcycles and Tires Including spare parts and accessories. Registered for dissolution on 10th January 2018.

**Revenue Structure**

Value of Products categorized by the Product line in the year of 2017 - 2019 (THB Million)

Product	2019		2018		2017	
	(MB)	%	(MB)	%	(MB)	%
<b>Domestic Sales</b>						
1. Bicycle Tire and Tube	26.40	0.97	35.35	1.39	77.03	2.82
2. Motorcycle Tire and Tube	754.33	27.68	719.32	28.33	911.30	33.38
3. Small Logistics Equipment Vehicle Tire and Tube	17.42	0.64	14.16	0.56	17.73	0.65
4. Bike	-	-	-	-	-	-
5.Others (Raw Materials and Work-in-Process)	16.48	0.60	18.06	0.71	10.51	0.38
<b>Subtotal Domestic Sales</b>	<b>814.63</b>	<b>29.89</b>	<b>786.89</b>	<b>30.99</b>	<b>1,016.57</b>	<b>37.23</b>
<b>International Sales</b>						
1. Bicycle Tire and Tube	943.03	34.61	866.69	34.14	845.11	30.95
2. Motorcycle Tire and Tube	817.69	30.01	720.86	28.39	658.82	24.13
3. Small Logistics Equipment Vehicle Tire and Tube	147.75	5.42	163.91	6.46	209.28	7.67
4.Others (Raw Materials and Work-in-Process)	1.99	0.07	0.63	0.02	0.56	0.02
<b>Subtotal International Sales</b>	<b>1,910.46</b>	<b>70.11</b>	<b>1,752.09</b>	<b>69.01</b>	<b>1,713.77</b>	<b>62.77</b>
<b>Total Revenue from Sales</b>	<b>2,725.09</b>	<b>100.00</b>	<b>2,538.98</b>	<b>100.00</b>	<b>2,730.34</b>	<b>100.00</b>

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

**Sales Proportion for the year 2019**

Based on the figures above in 2019, we can observe that the major income structure comes from the international sales 70.11% and domestic sales 28.89%. Nonetheless, when compared to the revenue in 2018, it increased by 7.33% due to an increase in sales of tires, inner tubes of motorcycles and bicycles. Most of the main income was from export sales comes from tires, tubes for bicycles and motorcycles. For the domestic sales, the main income is still from tires and tube of motorcycles.

## **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.

And In 2019, HFT has received BOI privileges to produce bicycles tires with a capacity of 6 million tires per year. Benefits in income tax exemption. Not more than 100% of the investment cost, excluding land and working capital. 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 2019, the company's revenue from sales of various types of tires accounted approximately for 80.27% 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 2019, the company's revenue from sales of inner tubes was approximately 19.05% of total revenue.

### **Raw Material & Semi-finished Products**

In 2019 HFT generated the revenue from sales of raw materials and semi-finished products constituting to around 0.68% 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;

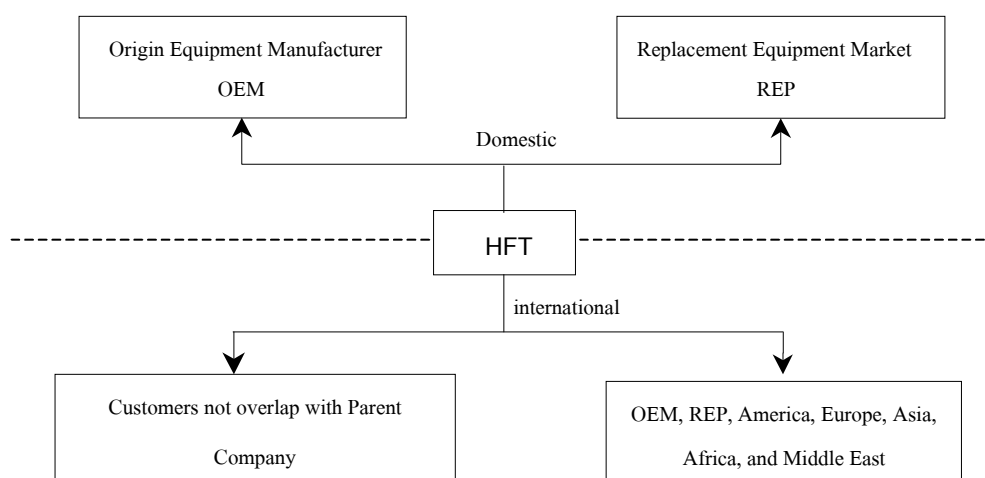
1) **Trademark License Agreement** is the contract that has been made between HFR, the parent company, which was effective since August 27, 2005 for 3 years validity (1 year, with an automatically renewable). The essence of the contract has been referred to the right to use "DURO" trademark for local 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) **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 150,000 US Dollar per year. HFR revised this fee to 200,000 US Dollar per year effective from 1 January 2019 without other changes in the contract.

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

## Marketing and Competitive Environment

### Market Structure



### 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 2019, the company had a market share of 7.30% 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, 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**

		<b>Product Categories/Segmentation</b>			<b>Market</b>		
		<b>HFR</b>	<b>HFT</b>	<b>HFC</b>	<b>HFR</b>	<b>HFT</b>	<b>HFC</b>
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.	Taiwan, Middle East, America	America, Europe and Japan	China, America
		All Terrains Vehicle	All Terrains Vehicle	All Terrains Vehicle			
	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 use 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, Foldable 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 2019, the number of registered motorcycle was 1,876,710 units, compared with the year 2018 of 1,942,494 units, decreased by 3.4% \* the market is saturated And the economic slowdown of trade war is waged, the prices of agricultural products such as rice, cassava, oil palm, rubber, sugar cane is still recovering. Such factors affecting consumer income levels of farmers and workers.

Industry which is the main buyer group In addition, there are more stringent credit approval factors, therefore, in the year 2019, motorcycle sales will decrease.

The company still maintain the market share in OEM market at 7.30%, a decrease of 1.51%. 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](http://www.dlt.go.th))

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

In 2019, the domestic market is relatively quiet. Which caused many companies to shut down resulting in a large number of unemployed Combined with the rather high competition all manufacturers have to adjust to use sales strategies to maintain market share such as price strategies. Promotion And quality development to be equal Many manufacturers have strengthened themselves to meet the needs of the market. 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 makes 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 maintains its focuses on quality and competitive price. Our products are well received and customers 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 70.11% 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 69.01% in 2018 and 70.11% in 2019 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 2018. 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 2019, No loans from financial institutions

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

The price of crude oil has dropped from the previous year. The market risks crude oversupply of production capacity and producers outside OPEC to increase continuously. While the demand for oil in the world still faces many risks. Whether the issue of a trade war between the US and China, secession from the Union for Europe of the United Kingdom (Brexit), including the interest rates of the Federal Reserve. As a result of the global consumption and investment is likely to slow down.

For natural rubber Although in the past year, many Chinese tire manufacturers have moved their production bases to Thailand. But in the past year, the price has not been increased. On average, the price is still low, the price of STR20 block rubber is 44-45 baht per kilogram. The main reason is still caused by the US-China trade war and the global economic slowdown

As for the synthetic rubber, in the past year, the price is considered the lowest in many years. Which is in the same direction as natural rubber The main reason is because the demand of the market is relatively stagnant.

Carbon Black and Chemistry After having adjusted to the highest level in many years in early 2018 due to China's environmental policy But after that the price has continuously decreased. In the past year, the price was still slightly decreased as the market demand decreased.

Overall, in 2020 the trend of raw material shortage and price fluctuations is quite small. Aside from the occurrence of war Which is mainly due to sufficient supply However, it is necessary to look at the results of the US presidential election this year 2020. However, the company is still searching for new sources of raw materials continuously. This is to control the cost of production and prevent the shortage of raw materials.

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 2019, company did not have any natural disaster.

## Management Risk

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

HFR, which is its 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 1.08% of total raw material purchase in 2019. 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.	:	0-2709-6580
Fax No.	:	0-2709-6589, 0-2324-0483
E-MAIL	:	<a href="mailto:hwafong@duro.co.th">hwafong@duro.co.th</a>
Website	:	<a href="http://www.duro.co.th">www.duro.co.th</a>
Subsidiary company	:	HFT Holding Company Limited. 317 Soi 6C Moo 4 Bangpoo Industrial Estate TombonPraksa, AmphorMuang, Samutprakarn 10280 : PT. Hwa Fong Rubber (Indonesia) (Incorporated in Indonesia.)
Securities Registrar	:	Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand Tel: (66 2) 009 9000 Fax: (66 2) 009 9991 SET Contact Center : (66 2) 009 9999 Website: <a href="http://www.set.or.th/tsd">http://www.set.or.th/tsd</a> E-mail: <a href="mailto:SETContactCenter@set.or.th">SETContactCenter@set.or.th</a> Securities staff : Khun Boonrak Muenvichit
Auditors	:	Mrs. Anutai Phumsurakul Certified Public Account Registration No.3873 Mr. Sudwin Punyawongkanti Certified Public Account Registration No.3534 Mr. Krit Chatchawanwong Certified Public Account Registration No.5016 Pricewaterhouse Coopers ABAS Ltd. 15th Floor Bangkok City Tower 179/74-80 South Sathorn Road, Sathorn, Bangkok 10120 Thailand

## Information Securities and Shareholder

### 1. Assets of the company

Registered capital of the company on December 31<sup>st</sup>, 2019 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 31<sup>th</sup>, 2019.

Name	Number of shares (shares)	Percentage (%)
1. HWA FONG RUBBER INDUSTRY CO.,LTD.	332,000,000	50.423
2. MRS. HSIN-MEI YEN HSIEH	15,018,000	2.281
3. MR. SUTUD LUANGDANSAKUL	13,500,000	2.050
4. MR. SOMCHAI PUDPHAI	12,907,100	1.960
5. THAI NVDR COMPANY LIMITED	11,617,400	1.764
6. MR. RAVI KASEMSARN	10,700,000	1.625
7. MR. NATPAT RANGSAN	10,000,000	1.519
8. MR. ANAN RAWESANG	8,695,600	1.321
9. MR. VEERATEP PRAPUETIPONG	5,700,000	0.866
10. MS. PIYAMART PRAPUETIPONG	5,700,000	0.866

### 3. Shareholder of a subsidiary.

(3.1) Registered capital of the company on December 31<sup>st</sup>, 2019 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)

HFT Holding Co., Ltd.	Number of shares (shares)	Percentage (%)
1. HWA FONG RUBBER (THAILAND) PUBLIC COMPANY	999,997	99.99

(3.2) Registered capital of the company on December 31<sup>st</sup>, 2019 **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

PT. Hwa Fong Rubber (Indonesia) (Incorporated in Indonesia.)	Number of shares (shares)	Percentage (%)
1. HWA FONG RUBBER (THAILAND) PUBLIC	9,900,000	99
2. HFT HOLDING CO., LTD.	100,000	1

**4. Shareholder of The Company join venture.**

(4.1) 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 27<sup>th</sup> February 2018. The company received certain amount of invested fund, after liquidation of The Ascent (Thailand) Co., Ltd.

<b>The Ascent (Thailand) Co., Ltd.</b>	<b>Number of shares (shares)</b>	<b>Percentage (%)</b>
1. HWA FONG RUBBER (THAILAND) PUBLIC	86,000	43
2. MISS AMONRAT SEATON	51,000	25.5
3. MRS. CHALAO SURAHONG	40,000	20
4. 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.

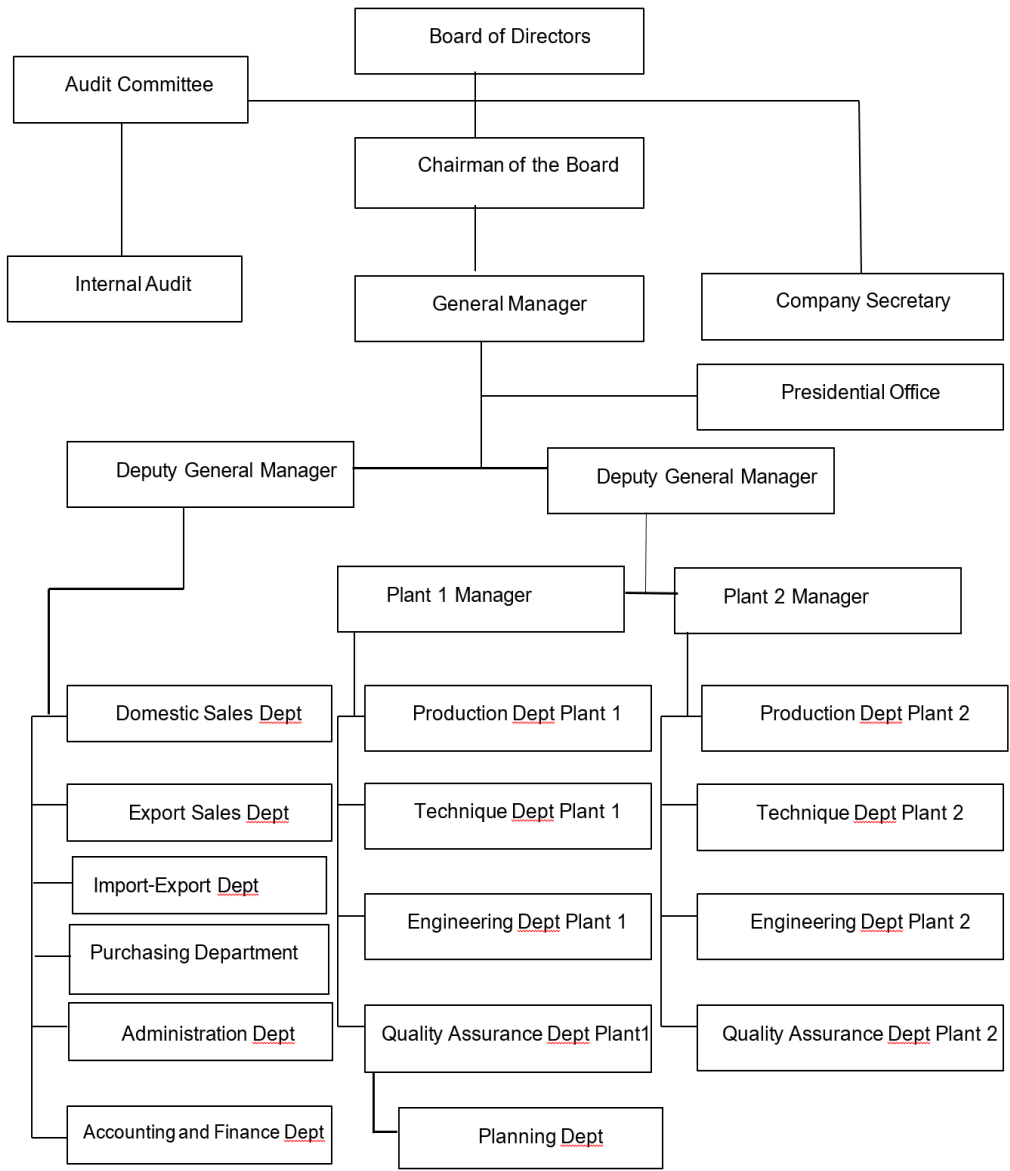
**Dividend History Data**

<i>Year</i>	<i>2019**</i>	<i>2018*</i>	<i>2017</i>	<i>2016</i>
Earnings per share (EPS)	0.42	0.34	0.39	0.51
Dividend per share (DPS)	0.13	0.15	0.20	0.10
Dividend Payout Ratio (%)	30.70%	44.15%	51.51%	19.49%

Remark : \*At the Annual General Meeting of Shareholders 1/2019 on 25<sup>th</sup> April 2019, dividend was authorized at 0.15 Baht (15 Satang) per share, this is different from what board of director offered initially which was 0.11 Baht (11 Satang) per share.

Management Structure

Organization Chart



✿ **Board of Directors and Management Team**

**Board of Directors As of 31<sup>st</sup> December 2019 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
<b>1. Mr. Shen, Kuo-Jung</b> Chairman and Managing Director Board authorized To bind the company, according to the affidavit. 22 June 2018	70	- Phd Business Management International American University  - Honorary degree in management University of Chua Yang Taiwan	-	-	2018- Present	Chairman	Hwa Fong Rubber Industry Co., Ltd. Hwa
					2018- Present	Chairman	Fong Rubber (Thailand) PLC.
					2018- Present	Chairman	HFT Holding Co., Ltd.
					2016- Present	Advisor	Office of Economic Policy Taiwan
					2014- Present	Chairman	Science Association Taiwan
					2010- Present	Chairman	Hota Industrial MFG. Co., Ltd.
					2007- Present	Chairman	Kao Fong Machinery Co., Ltd.
<b>2. Mr. Chuang, Chih-Yao</b> Director Board authorized To bind the company, according to the affidavit. 18 December 2018	43	- MSc. Finance Arizona State university USA  - “Director Accreditation Program Class 166/2019”	-	-	2017- Present	Director	Hwa Fong Rubber (Thailand) PLC.
					2016- Present	Managing Director	Thai Bright Bar Company Limited
					2010- Present	Managing Director	V G Steel Co., Ltd.
					2018- Present	Director	HFT Holding Co., Ltd.
<b>3. Mr. Chiu, Hsih- Chien</b> Director 22 June 2018	48	Masters of Statistic, National Cheng Kung University	-	-	2018-Present	Director	Hwa Fong Rubber (Thailand) PLC.
					Present	Vice President	Hwa Fong Rubber Industry Co., Ltd.
					Present	Chief Executive Officer	Jian Sin Industrial Co., Ltd.
					Present	Chief Executive Officer	Jui Li Enterprisel Co., Ltd.

## \* Board of Directors (Continued)

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
<b>4. Ms. Wu, Ping– Yi</b> Director 22 June 2018	30	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.
<b>5. Mr. Chang, Tai- Shan</b> Director 2 July 2014	61	- 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
<b>6. Mr. Yen, Ming – Shan</b> Director 11 August 2012	80	Vocational Certificate Taiwan	-	-	2012– Present 2012– Present  2012– Present  2012– Present 2011- Present 2009- Present 2003- Present 1993- Present 1992- Present	Director Permanent Director  Permanent Director  Director Director Chairman Director Director Director	Hwa Fong Rubber (Thailand) Plc. Taiwan Rubber & Elastomer Industries Association Co., Ltd. Taiwan Rubber Research & Testing Center Co., Ltd. Taiwan Provincial Industrial Association Hwa Fong Rubber Industry Co., Ltd. Sheng Da Investment Co., Ltd. Hwa Fong Rubber (SuZhou) Co., Ltd. Hwa Fong Rubber (China) Co., Ltd. Hwa Fong Rubber USA,Inc d/b/a Duro Tire&Wheel Inc.

✿ **Board of Directors (Continued)**

Name-Last name/Position	Age	Educational Background	Equity Holding in Company (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
<b>7. Mr. Yen, Ya – Nan</b> Director 11 August 2012	76	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.
<b>8. Mr. Yen, Chih – Che</b> Director 21 April 2017	44	- Bachelor of Business Administration DAYEH University - Architectural Engineering department Cheng Shiu University	-	-	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.
<b>9. Mr. Hsiao, Chin- Lung</b> Independent Director / Chairman of the Audit Committee 6 August 2018	49	- Master's degree of Economics Institute of Economic Chinese Culture University	-	-	2018 – Present  2007 – Present	Independent Director / Chairman of the Audit Committee  Corporate Finance Senior Manager	Hwa Fong Rubber (Thailand) Plc.  Far Eastern International Bank.
<b>10. Ms. Syuan Wen</b> Audit Committee/ Independent Director 6 August 2018	42	- Accounting, Saint Louis College, United Kingdom	-	-	2018 – Present  2018 – Present 2015 – Present 1996 - Present	Audit Committee/ Independent Director  Director Overseas Coordinator Director	Hwa Fong Rubber (Thailand) Plc.  Placetin International Group Eagles Ari & Sea (Thailand) Co.,Ltd. 9999 international 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
<b>11. Mr. Monsiam Sinworapong</b> Audit Committee/ Independent director 6 August 2018	47	-Bachelor of Business Administration, International Business Management at Siam University - Bachelor's Degree of Law at Ramkhamhaeng University	-	-	2018- Present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.,
					2007- Present	Legal counsel	SaveMor International Co.,Ltd.
					2005- Present	Legal counsel	Applied DB Public Company Limited.
<b>12. Mr. Pornthep Suratroongrojkit</b> Audit Committee/ Independent director 20 April 2018	46	Bachelor of Business Administration, Dhurakij Pundit University	-	-	2018- Present	Audit Committee/ Independent director	Hwa Fong Rubber (Thailand) Plc.
					2017- Present	Managing Director Managing	APEC Engineering Co.,Ltd.
					2017- Present	Director	Phornthep Support (Thailand) Co.,Ltd.

✿ **Management Team**

As of 31<sup>st</sup> December 2019 Management Team 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
<b>1. Mr. Shen, Kuo-Jung</b> Chairman and Managing Director	70	-Phd Business Management International American University  -Honorary degree in management University of Chua Yang Taiwan	-	-	2018- Present	Chairman	Hwa Fong Rubber Industry Co., Ltd.
					2018- Present	Chairman	Hwa Fong Rubber (Thailand) PLC.
					2018- Present	Chairman	HFT Holding Co., Ltd.
					2016- Present	Advisor	Office of Economic Policy Taiwan
					2014- Present	Chairman	Science Association Taiwan
					2010- Present	Chairman	Hota Industrial MFG. Co., Ltd.
					2007- Present	Chairman	Kao Fong Machinery Co., Ltd.
<b>2. Mr. Chuang, Chih-Yao</b> Vice General Manager	43	-MSc. Finance Arizona State university USA “Director Accreditation Program Class 166/2019”	-	-	2017- Present	Director	Hwa Fong Rubber (Thailand) PLC.
					2016- Present	Managing Director	Thai Bright Bar Company Limited
					2010- Present	Managing Director	V G Steel Co., Ltd.
					2018- Present	Director	HFT Holding Co., Ltd.
<b>3. Mr. Chiang, Jung Tsung</b> Vice General Manager	57	- 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	-	-	2017 - Present	Director	Hwa Fong Rubber (Thailand) Plc.
					2010 - Present	Vice Presidential	Hwa Fong Rubber (Thailand) Plc.
					2005 - 2009	Factory Manger	Hwa Fong Rubber (Thailand) Plc

✿ **Management Team (Continued)**

As of 31<sup>st</sup> December 2019 Management Team 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
<b>4. Ms. Radatorn Tanaasawapol</b> Financial and Accounting Manager	55	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 (%)	Relationship between Directors and Executives	Working Experience for Past 5 Years		
					Period	Position	Name of Organization/ Company/Type of Business
<b>1. Mr. Athisit Worachote</b> Secretary of company	55	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 31<sup>st</sup>, 2019.

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. HSIAO, CHIN-LUNG	Chairman of Audit Committee and Independent director
10. Mrs. SYUAN WEN	Audit Committee and Independent director
11. Mr. MONSIAM SINWORAPONG	Audit Committee and Independent director
12. Mr. PORNTHEP 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.

## 2. Audit Committee

The company has established the Independent director and Audit Committee to supervise and monitor the company's internal operation to be in standardization. Present, the Audit Committee, comprising of 4 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.

### 3. Management Team

#### Names of the management team as at December 31<sup>st</sup>, 2019

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

#### 4. Recruitment and Appointment of the Directors and the Management

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

- (1) One shareholder is entitled to one vote per share.
- (2) Each shareholder must use all of his votes under (1) to vote for the election of one to be directors.
- (3) Shareholders must cast all of their votes for one nominee, and may not divide their votes.

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

#### 5. Remuneration and Benefits for Board of Directors and Management

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

1. For meeting allowance, travel expense, accommodation expense, airfare and other expense, The directors will receive only approved expenses. Directors with residence in Thailand receive 25,000 Baht (Twenty-five thousand Baht) and directors with residence outside Thailand receive 40,000 Baht (Forty thousand Baht) per person per time until further notice of change has been announced.

##### 2. Annual remuneration 2019

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

**Remuneration of each Director in 2019**

Name	Position	Remuneration	Premium	Remark
1. Mr. SHEN, KUO – JUNG	Chairman of the Board and Managing Director	540,000 Baht	145,000 Baht	
2. Mr. CHIU, HSIH – CHIEN	Director	300,000 Baht	65,000 Baht	
3. Ms. WU, PING – YI	Director	300,000 Baht	145,000 Baht	
4. Mr. CHANG, TAI – SHAN	Director	300,000 Baht	-	
5. Mr. YEN, MING-SHAN	Director	300,000 Baht	145,000 Baht	
6. Mr. YEN, YA NAN	Director	300,000 Baht	145,000 Baht	
7. Mr. YEN, CHIH – CHE	Director	300,000 Baht	145,000 Baht	
8. Mr. CHUANG, CHIH- YAO	Director	300,000 Baht	100,000 Baht	
9. Mr. HSIAO, CHIN-LUNG	Chairman of Audit Committee and Independent	350,000 Baht	90,000 Baht	
10. Mr. MONSIAM SINWORAPONG	Audit Committee and Independent director	350,000 Baht	125,000 Baht	
11. Mrs. SYUAN WEN	Audit Committee and Independent director	350,000 Baht	125,000 Baht	
12. Mr. PORNTHEP SURATROONGROJKIT	Audit Committee and Independent director	350,000 Baht	125,000 Baht	

Director's remuneration 12 persons of 3 Positions and Management 4 persons as at **December 31<sup>st</sup>, 2019**, comparing 2019, 2018, 2017 as follows :

Type of remuneration	Director's remuneration 12 persons (Baht)			Managements remuneration (Baht)		
	2019	2018	2017	2019 (4 persons)	2018 (4 persons)	2017 (4 persons)
Salary	-	-	-	4,958,666	6,899,515	8,786,768
Annual remuneration	4,040,000	4,026,278	2,740,000	-	-	-
Bonus	-	-	-	2,213,084	1,524,810	1,758,510
Premium	1,355,000	2,200,000	1,775,000	-	-	-
<b>Total</b>	<b>5,390,000</b>	<b>6,226,278</b>	<b>4,515,000</b>	<b>7,171,750</b>	<b>8,424,325</b>	<b>10,545,278</b>

## 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 4 Audit Committee is competent in financial and accounting background and fully understands the company's business and its respective financial report.

#### 1. Audit Committee

The Company has appointed an audit committee in 3 years' term, consisting entirely of Independent Directors on 31 December 2019 as follows:

No.	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. PORNTHAP SURATROONGROJKIT	Audit Committee

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.

**Board of Director's meeting**

In 2019, the Board of Director's meetings were commenced 4 times and the Audit Committee's meetings were commenced 4 times. Attendance record as of December 31<sup>st</sup>, 2019 are as follow:

Name	Position	Number of attendance / Number of Meetings		Remark
		Board of Director	Board of Audit Committee	
1. Mr. SHEN, KUO – JUNG	Chairman of the Board and Managing Director	4/4	-	
2. Mr. CHIU, HSIH – CHIEN	Director	2/4	-	
3. Ms. WU, PING – YI	Director	4/4	-	
4. Mr. CHANG, TAI – SHAN	Director	0/4	-	
5. Mr. YEN, MING-SHAN	Director	4/4	-	
6. Mr. YEN, YA NAN	Director	4/4	-	
7. Mr. YEN, CHIH – CHE	Director	4/4	-	
8. Mr. CHUANG, CHIH- YAO	Director	4/4	-	
9. Mr. HSIAO, CHIN-LUNG	Chairman of Audit Committee and Independent director	2/4	2/4	
10. Mr. MONSIAM SINWORAPONG	Audit Committee and Independent director	4/4	4/4	
11. Mrs. SYUAN WEN	Audit Committee and Independent director	4/4	4/4	
12. Mr. PORNTHEP SURATROONGROJKIT	Audit Committee and Independent director	4/4	4/4	

**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 2019, 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 2019, the committee has authorized Pricewaterhouse Coopers ABAS Ltd. Associate as auditor.

1. Auditing fee is decided at 2,600,000 Baht.
2. Non Audit fee 584,625 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 2019, the company convened 1 times of the shareholder meeting. On April 25<sup>th</sup>, 2019 at 10:00 am the company convened the Annual General Meeting at Ball Room, Bangpoo Golf and Sport No. 191 Moo. 3, Bangpoo Industrial Estate Soi 9, T. Preaksamai, A. Muangsamutprakarn, Samutprakarn. The meeting resolved all proposed agendas in appropriate order.

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

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

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

## **2 Equality of Shareholders' Right**

The Company recognizes the rights of all shareholders to receive accurate and complete information in sufficient time to enable them to make decisions in shareholders' meetings. Prior to all shareholders' meetings, the Company shall send a notice convening the meeting, together with an agenda, to the shareholders and include an opinion from the board of directors on each agenda. Such notice will be publicized in the daily newspaper no less than 3 consecutive days and no less than 3 days prior to any such meeting. The notice of shareholder meeting will notify the necessary documents for the meeting, proxy form A for shareholders who are not able to attend a Meeting in person and proxy form B and C please 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.

### **A.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.

### **B.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.

#### C. 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.

#### D. 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.

#### E. Competitors

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

#### 4. Disclosure of Information and Transparency

The company realizes the important of accurate and timely disclosure, including disclosure of financial information and other information which may affect the company's share price. Such disclosures will be done through direct communication to shareholders and through Stock Exchange of Thailand, the Form 56-1 and Annual Report including other incumbent reports required to submit to the Securities Exchange and Commission (SEC) and disclosure at [www.duro.co.th](http://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](mailto:hwafong@duro.co.th) or Tel. 0-2709-6580 ext. 118, 810 (Mr. Athisit Worachote or Ms. Annie Cheng). 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 2019, 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 labors
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 labors.**

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, Samutprakarn 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.



## **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 2019 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 Pricewaterhouse Coopers ABAS Ltd., 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.**

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 2019, company committed connected transactions with related companies as the following details:

Person or Company	Relationship	Description	Value of Connected Transaction in 2019 (MB)	Pricing Policy	Appropriateness
<b>1. Hwa Fong Rubber Industries Co., Ltd. (HFR)</b>	Major shareholder which is holding as 50.42%	- Product Sale	8.43 (317,544 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	14.11	- Cost plus margin	For standard production with normal business
		- Product purchase	-	- Cost plus margin	For standard production with normal business
		- Fixed asset purchase	-	- Cost plus margin (Machinery purchase for production)	For complying the same production technology with normal business
		- Spare parts, materials and other expenses	7.33	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		- Technical assistance fee	6.39	200,000 USD per year	Price based on agreement
		-Trademark fee	6.01	0.5 % of total amount of sold products	Price based on agreement
		-Trade Account receivables	1.20	Credit 60 days	
		-Trade Account payable	2.73	Credit 60 days	
		- Other trade creditors	3.96	Credit 60 days and accordance with trade agreement	

**Connected Transaction (Continued)**

Person or Company	Relationship	Description	Value of Connected Transaction in 2019 (MB)	Pricing policy	Appropriateness
<b>2. Hwa Fong Rubber (USA) Co.,Ltd. (HFA)</b>	Affiliated Company (sharing parent company)	- Product sale	64.01 (113.775 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	-	Market price or based on agreement price	The price can be compared to the market price and normal business conditions
		- Trade Account receivables	12.40	Credit 90 days	
		- Other trade creditors	-	Credit 90 days	
<b>3. Hwa Fong Rubber (Hong Kong) Co.,Ltd. (HFK)</b>	Affiliated Company (sharing parent company)	-Product sale	0.20 (300 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions
		- Trade Account receivables	0.07	Credit 60 days	
<b>4. Hwa Fong Rubber (China) Co., Ltd. (HFC)</b>	Affiliated Company (sharing parent company)	- Product sale	0.50 (6,850 units)	- Market price or based on agreement price, company set the structure of sale price between company and related companies, considering actual cost adding gross profit margin.	The price can be compared to the market price and normal business conditions

**Connected Transaction (Continued)**

Person or Company	Relationship	Description	Value of Connected Transaction in 2019 (MB)	Pricing policy	Appropriateness
<b>4. Hwa Fong Rubber (China) Co., Ltd. (HFC) (Continued)</b>	Affiliated Company (sharing parent company)	- Fixed Asset Purchase	4.97	- Price is based on agreement (Machinery purchase for production)	For complying the same production technology and normal business condition
		- Trade Account receivables	0.25	Credit 90 days	
		- Other trade creditors	0.02	Credit 90 days	
		- Spare parts, materials and other expenses	4.34	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
<b>5. Hwa Fong Rubber (Su Zhou) Co., Ltd. (HFZ)</b>	Affiliated Company (sharing parent company)	- Fixed Asset Purchase	17.18	- Price is based on agreement (Machinery purchase for production)	For complying the same production technology and normal business condition
<b>6. Sumitomo Rubber Industries Co., Ltd.</b>	- Related company which is holding the shares in parent company (HFR) as 10.18%	-Product Sell	80.11 (302,455 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	3.60	Credit 30 days	
		- Trademark fee	2.01	1.5 - 3% of the total amount of sold product	Price is based on agreement

**Connected Transaction (Continued)**

Person or Company	Relationship	Description	Value of Connected Transaction in 2019 (MB)	Pricing policy	Appropriateness
<b>6. Sumitomo Rubber Industries Co., Ltd.</b>  <b>(Continued)</b>	- Related company which is holding the shares in parent company (HFR) as 10.18%	- Spare parts, materials and other expenses	0.11	- Cost plus benefit (Spare parts for machine repairing and miscellaneous for production)	For complying the same production technology and normal business condition
		- Other trade creditors	1.04	Credit 60 days and accordance with trade agreement	
<b>7. HFT Holding Co., Ltd.</b>	- 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	1.39	Market price or based on agreement price	The price can be compared to the market price including terms and
		-Transportation revenue	0.10	Price is based on agreement	
		-Other receivables	0.64	Credit 30 days	
		- Other trade creditors	0.07	Credit 30 days	
<b>8. Hwa Fong Rubber Indonesia Co., LTD</b>	- 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 0.31%, Hwa Fong Rubber Co. Ltd (USA) for 2.35 %, Hwa Fong Rubber (Hongkong) Co. Ltd (HFK) for 0.01%, Hwa Fong Rubber (China) Co. Ltd (HFC) for 0.02% and Sumitomo Rubber Industries for 2.94% 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 30-90 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 2019, 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 31th	Consolidated			Separate		
	2019	2018	2017	2019	2018	2017
<b>Stock Data</b>						
Par value (Baht)	1.00	1.00	1.00	1.00	1.00	1.00
Book value (Baht)	4.48	4.24*	4.15	4.58	4.33	4.19
Earning per share (Baht)	0.42	0.34	0.39	0.43	0.33	0.39
<b>Operating (Million Baht)</b>						
Sales revenue	2,736.69	2,555.48	2,730.99	2,725.09	2,538.98	2,730.34
Total income	2,748.94	2,582.73	2,748.52	2,737.39	2,560.98	2,747.42
Net profit	278.84	223.71	255.65	282.49	219.08	254.97
<b>Balance Sheet (Million Baht)</b>						
Current assets	1,998.67	1,567.11	1,976.03	1,908.53	1,469.97	1,874.02
Total assets	3,653.53	3,323.10*	3,162.36	3,722.74	3,382.93	3,188.14
Current liabilities	641.05	354.61	398.22	641.02	353.68	396.42
Total liabilities	706.04	533.21	431.07	706.01	532.28	429.49
Paid-up capital						
Shareholder's equity	2,947.49	2,789.89*	2,731.29	3,016.72	2,850.65	2,758.64
<b>Financial Ratio</b>						
Returns on shareholders' equity (%)	9.72%	8.10%*	9.67%	9.63%	7.81%	9.57%
Returns on fixed assets (%) *	28.37%	26.05%	35.41%	28.65%	28.62%	40.58%
Returns on assets (%)	7.99%	6.90%*	8.31%	7.95%	6.67%	8.24%
Gross profit (%)	18.09%	16.31%*	18.84%*	18.13%	16.37%*	18.84%*
Current assets ratio to items of current (times)	3.12	4.42	4.96	2.98	4.16	4.72
Quick ratio (times)	2.19	2.91*	3.46	2.06	2.64*	3.22
Debt ratio to shareholders' equity	0.24	0.19	0.16	0.23	0.19	0.16

\* Corrected according to reclassification and correction of errors according to the 2019 financial statements.

## Financial Status

### 1. Asset

In 2019, HFT assets rest at 3,653.53 MB, increased from 2018 as 330.43 million baht. The increase came from these assets: Increase of the mixing building which is currently under construction at Factory 1 in the amount of 80.41 million baht to support increased production. Company's notable assets consist of: cash and cash equivalent 19.63%, trade account receivables 14.35%, inventory 15.54, fixed asset 37.31%.

The Company's ability to collect payment from the debtor has increased from last year. The day's collection periods in 2019 were about 70.33 days and 74.95 days in 2018. The company policy set collection period at 30-90 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 2019 decreased from 4.42 times to 3.12 time. Our quick ratio came down from 2.91 times in 2018 to 2.19 times in 2019. This can be explained by long-term loans from financial institutions due within 1 year, an increase of 146.70 million baht.

### 3. Sources of Funds

In 2019, the debt to equity ratio is at conservative level with ratio of 0.24 times. This is a increase from 0.19 times of 2018. 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 2019 at 2,736.69 Million Baht and 2,555.48 Million Baht in 2018 which is a increase of 181.21 Million Baht or 7.09%. The company has a increase in sales from motorcycle tires in the amount of 131.84 Million Baht. Comes from foreign customers that increase the distribution channels of existing customers and the company expands the new customer base in ASEAN countries. For domestic customers The Company has a proactive policy by supporting marketing with distributors to be able to compete. And the sales of bicycle tires increased by 67.38 million baht due to the 2nd factory increased the production capacity of bicycle tires To support orders from European customers

The company has continuously supported sales and marketing activities with customers

Although the overall economy has been affected by the trade war between the US-China. Agricultural prices have fallen. Including political instability which affects the overall picture of the domestic manufacturing industry However, the company is still able to maintain its customer base and increase sales. For lower production costs Due to the falling price of raw materials As a result, the company was able to make a net profit of 278.84 million baht, an increase of 55.13 million baht from the year 2018, representing 24.64 percent, with a net profit per share of 0.42 baht.

### ● Main Revenue

Main revenue of the company and its subsidiaries consist of 1,920.41 million baht export sales and 816.28 million baht of domestic sales. As a whole, the 2018 revenue is a increase of 181.21 million baht or 7.09% compare to last year. Compare to last year, domestic sales increased 28.48 million baht or 3.62% from proactive policies by supporting marketing with distributors to be able to compete. However export sales increased 152.73 MB which is a rise of 8.64%. 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 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 income of the company and subsidiaries consisting of miscellaneous income, received interest and dividend, they amount to 12.25 million baht, This is a decrease of 3.31 million baht from 2018.

In 2019 revenue from received interest was at 6.37 million baht 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 0.45% of total revenue on 2019.

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

The company's cost of sales And subsidiaries in the year 2019 in the amount of 2,241.56 million baht and in the year 2018 in the amount of 2,138.67 million baht, an increase of 102.88 million baht or 4.81% increase in the cost of sales of the company As a result of increased sales And increased labor costs Which is the effect of New Labor Protection Act, which has revised the compensation for employees over 20 years from 300 days to 400 days.

The company still focuses on using various measures. In reducing production costs such as Establishment of an energy conservation group in order to control energy usage for maximum benefit Reduce unnecessary energy use And make a policy to check the production process By reducing indirect production steps and developing production formulas for both rubber and inner tubes In order to improve the production potential

Selling and administrative expenses decreased by 14.26 million baht from 164.59 million baht in 2018 by 150.33 million baht in 2019, caused by the year 2018, the company has doubtful debt expenses of 8.34 million Baht, but in 2018, the company has reversed the allowance for doubtful accounts in the amount of 0.23 million baht because the company received payment. Currently, the company has a policy that creates financial tightness and confidence. When selling products to customers both domestic and export by arranging Trade Credit Insurance with insurance companies To reduce the risk of not receiving payment from certain customers.

## **Independent Auditor's Report**

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

### **My opinion**

In my opinion, the consolidated financial statements of Hwa Fong Rubber (Thailand) Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

### **Basis for opinion**

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the 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.

### **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. I determine two key audit matters: the valuation of trade accounts receivable and the valuation of inventories. 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 matter	How my audit addressed the key audit matter
<b><i>Valuation of trade accounts receivable</i></b>	
<p>Refer to Note 2.6 ‘Accounting policies - Trade accounts receivable’ and Note 9 ‘Trade and other receivables’ to the consolidated and separate financial statements.</p> <p>As at 31 December 2019, the Group has trade accounts receivable of Baht 690.80 million and an allowance for doubtful accounts of Baht 171.39 million. The trade accounts receivable (net) of Baht 519.41 million is 14.22% of the Group's total assets.</p> <p>Assessing the allowance for doubtful accounts requires a degree of estimation using management’s judgement. The assessment is based on their experience in considering information such as the period of overdue balance, collectability histories, trade credit insurances and future expectations of repayments to record an appropriate allowance each year.</p> <p>The Group expanded its distribution channel by supplying goods directly to a number of small businesses which increased the risk of the non-recoverability of accounts receivable. In addition, because the amount of accounts receivable is material to the total assets and the allowance for doubtful is subject to management’s judgement and experience in order to determine the allowance for doubtful accounts, which could affect the appropriateness of the valuation of accounts receivable. I considered this a focus area in my audit.</p>	<p>I evaluated the appropriateness of the allowance for doubtful accounts - trade accounts receivable by:</p> <ul style="list-style-type: none"> <li>- Asking management about the policy and criteria for assessing the allowance for doubtful accounts - trade accounts receivable.</li> <li>- Considering the reasonableness of management’s assessment of the adequacy of the allowance on the overdue individual of accounts receivable by assessing the historical data for trade accounts receivable collection, the possibility of recoverable amount and checking collection transactions after the end of the year of these accounts receivable.</li> <li>- Testing the reliability of the accounts receivable aging report initially used in assessing the allowance. I did this by testing the accuracy of the accounts receivable aging classification of a representative sample of invoices. I tested the accuracy recalculating the number of overdue days.</li> <li>- Comparing each trade credit insurance value with the trade credit insurance contract and testing that the allowance for doubtful accounts was set -up based on the trade accounts receivable policy and criteria.</li> </ul> <p>From the procedures above, I found the allowance for doubtful accounts - trade accounts receivable was reasonable and aligned with the available evidence.</p>

Key audit matter	How my audit addressed the key audit matter
<b><i>Valuation of inventories</i></b>	
Refer to Note 2.7 ‘Accounting policies - Inventories’ and Note 10 ‘Inventories’ to the consolidated and separate financial statements.	I evaluated the appropriateness of the allowance for obsolete and defective inventories by:
As of 31 December 2019, the Group has inventories of Baht 582.78 million and an allowance for obsolete and defective inventories of Baht 14.98 million. The inventories (net) amount of Baht 567.80 million is 15.54% of the Group's total assets.	<ul style="list-style-type: none"> <li>- Asking management about the policy and criteria for assessing the allowance for obsolete and defective inventories.</li> <li>- Assessing the reasonableness of management’s estimated allowance for obsolete and defective inventories based on historical data including analysis of inventory turnover rates.</li> <li>- Testing the reliability of the inventory aging report initially used in assessing the allowance for obsolete and defective inventories by tracing the last movement date in the inventory aging report to the stock card to test whether inventories in the aging report are properly aged.</li> <li>- Testing the mathematical accuracy of the allowance for obsolete and defective inventories.</li> <li>- Assessing whether any obsolete and defective inventories were omitted from the detailed analysis, checking the completeness of the inventory aging analysis to test that the allowance for slow-moving inventories in the inventory aging analysis was completely recognised according to the Group’s policy.</li> <li>- Checking the allowance for obsolete and defective inventories found during the inventory counting observation at the year-end was appropriately considered.</li> </ul>
Assessing the allowance for obsolete and defective inventories requires a degree of estimation using management’s judgement and is based on their experience and historical data. The Group set varying allowances for different types of slow-moving inventories. In addition, the management assessed the appropriate level of the allowance by taking into account the historical and recent sales experience, the aging of inventories and other factors that cause slow-moving inventories to deteriorate and become obsolete, in order to consider an appropriate allowance for each year.	
I considered this a focus area in my audit, as the amount is significant to the total assets. The allowance for obsolete and defective inventories is subject to management’s judgement and experience, which could affect the appropriateness of the valuation of inventory.	From the procedures above, I consider the assessment criteria of the allowance for obsolete and defective inventories were appropriate.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and separate financial statements and my auditor’s report thereon.

The annual report is expected to be made available to me after the date of this auditor's report.

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

#### **Responsibilities of the directors for the consolidated and separate financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group 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 the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated and separate financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee 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 the audit committee 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 the audit committee, 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.

PricewaterhouseCoopers ABAS Ltd.



Anutai Poomsurakul

Certified Public Accountant (Thailand) No. 3873

Bangkok

27 February 2020

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Financial Position

As at 31 December 2019

		Consolidated		Separate	
		financial statements		financial statements	
		Restated			
	Notes	2019	2018	2019	2018
		Baht	Baht	Baht	Baht
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	717,071,288	465,731,110	633,246,765	368,675,948
Short-term investments	8	170,000,000	40,000,000	170,000,000	40,000,000
Trade and other receivables (net)	9	524,112,676	535,886,352	523,658,129	537,514,157
Inventories (net)	10	567,799,003	509,232,420	563,990,196	508,657,498
Other current assets (net)	11	19,687,687	16,262,765	17,630,984	15,126,128
Total current assets		1,998,670,654	1,567,112,647	1,908,526,074	1,469,973,731
<b>Non-current assets</b>					
Restricted deposits		-	200,000,000	-	200,000,000
Other long-term investments (net)	3.2, 12	31,932,198	26,614,101	-	-
Investments in subsidiaries (net)	13	-	-	412,255,214	412,255,214
Investments in associates (net)	14	1,184,739	1,182,316	1,161,000	1,161,000
Investment property	15	220,787,694	228,483,742	-	-
Property, plant and equipment (net)	16	1,363,138,733	1,269,648,004	1,363,138,733	1,269,648,004
Intangible assets (net)	17	1,230,777	1,611,935	1,206,968	1,582,627
Deferred tax assets (net)	18	35,396,413	28,055,324	35,396,413	28,055,324
Other non-current assets		1,188,607	396,053	1,052,305	255,000
Total non-current assets		1,654,859,161	1,755,991,475	1,814,210,633	1,912,957,169
<b>Total assets</b>		<b>3,653,529,815</b>	<b>3,323,104,122</b>	<b>3,722,736,707</b>	<b>3,382,930,900</b>

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Financial Position

As at 31 December 2019

		Consolidated		Separate	
		financial statements		financial statements	
		Restated			
		2019	2018	2019	2018
	Notes	Baht	Baht	Baht	Baht
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	20	451,965,713	324,270,329	451,939,138	323,583,714
Current portion of long-term loans from financial institutions	19	146,702,300	-	146,702,300	-
Current portion of finance lease liabilities	19	345,889	324,338	345,889	324,338
Accrued income tax		37,974,010	27,081,358	37,974,010	26,977,142
Other current liabilities		4,057,754	2,935,179	4,056,885	2,790,066
Total current liabilities		641,045,666	354,611,204	641,018,222	353,675,260
Non-current liabilities					
Long-term loans from financial institutions	19	-	145,324,701	-	145,324,701
Finance lease liabilities	19	1,145,773	1,491,662	1,145,773	1,491,662
Employee benefit obligations	21	63,847,772	31,786,453	63,847,772	31,786,453
Total non-current liabilities		64,993,545	178,602,816	64,993,545	178,602,816
Total liabilities		706,039,211	533,214,020	706,011,767	532,278,076

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Financial Position

As at 31 December 2019

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		Restated			
		2019	2018	2019	2018
		Baht	Baht	Baht	Baht
LIABILITIES AND EQUITY (Cont'd)					
Equity					
Share capital	22				
Authorised share capital					
658,434,300 ordinary shares					
of par Baht 1 each		658,434,300	658,434,300	658,434,300	658,434,300
Issued and paid-up share capital					
658,434,300 ordinary shares					
of par Baht 1 each		658,434,300	658,434,300	658,434,300	658,434,300
Premium on paid-up ordinary shares	22	222,105,000	222,105,000	222,105,000	222,105,000
Surplus on treasury shares	22	7,429,904	7,429,904	7,429,904	7,429,904
Retained earnings					
Appropriated - legal reserve	23	65,843,430	65,843,430	65,843,430	65,843,430
Unappropriated		2,082,883,063	1,902,811,573	2,082,113,875	1,898,384,739
Other components of equity		(89,205,093)	(66,734,105)	(19,201,569)	(1,544,549)
Equity attributable to owners					
of the parent		2,947,490,604	2,789,890,102	3,016,724,940	2,850,652,824
Non-controlling interests		-	-	-	-
Total equity		2,947,490,604	2,789,890,102	3,016,724,940	2,850,652,824
Total liabilities and equity					
		3,653,529,815	3,323,104,122	3,722,736,707	3,382,930,900

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Comprehensive Income

For the year ended 31 December 2019

	Notes	Consolidated financial statements		Separate financial statements	
		Restated			
		2019 Baht	2018 Baht	2019 Baht	2018 Baht
Revenue from sales of goods and services		2,736,686,799	2,555,478,106	2,725,093,564	2,538,981,994
Cost of goods sold and services		(2,241,557,146)	(2,138,673,095)	(2,231,079,111)	(2,123,411,030)
<b>Gross profit</b>		495,129,653	416,805,011	494,014,453	415,570,964
Other income	25	12,252,111	15,564,949	12,300,340	15,456,112
<b>Profit before expenses</b>		507,381,764	432,369,960	506,314,793	431,027,076
Selling expenses		(98,043,817)	(99,751,514)	(97,962,961)	(99,606,982)
Administrative expenses		(52,283,841)	(64,840,456)	(50,157,939)	(61,433,057)
Gain (loss) on foreign exchange rate (net)		(13,289,554)	11,683,859	(10,769,272)	6,540,403
Loss from decrease in value of investments in associates	14	-	(1,533,870)	-	(3,877,275)
Finance costs		(5,094,614)	(3,961,688)	(5,094,614)	(3,921,340)
Share of profit (loss) from investments in associates	14	2,423	(507,204)	-	-
<b>Total expenses</b>		(168,709,403)	(158,910,873)	(163,984,786)	(162,298,251)
<b>Profit before income tax expenses</b>		338,672,361	273,459,087	342,330,007	268,728,825
Income tax expenses	27	(59,835,726)	(49,750,034)	(59,835,726)	(49,644,132)
<b>Net profit for the year</b>		278,836,635	223,709,053	282,494,281	219,084,693
<b>Other comprehensive income (loss), net of tax:</b>					
<b>Items that will be reclassified subsequently to profit or loss</b>					
Gain (loss) on remeasurement on investments in available for sale	12	5,318,097	(14,506,242)	-	-
Currency translation differences		(10,132,065)	(23,526,305)	-	-
<b>Total items that will be reclassified subsequently to profit or loss</b>		(4,813,968)	(38,032,547)	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of post-employment benefit obligations	21	(22,071,275)	5,763,077	(22,071,275)	5,763,077
Income tax on remeasurements of post-employment benefit obligations		4,414,255	(1,152,615)	4,414,255	(1,152,615)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		(17,657,020)	4,610,462	(17,657,020)	4,610,462
<b>Other comprehensive income (loss), net of tax</b>		(22,470,988)	(33,422,085)	(17,657,020)	4,610,462
<b>Total comprehensive income for the year</b>		256,365,647	190,286,968	264,837,261	223,695,155

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Comprehensive Income

For the year ended 31 December 2019

	Note	Consolidated		Separate	
		financial statements		financial statements	
		Restated			
		2019	2018	2019	2018
		Baht	Baht	Baht	Baht
<b>Profit attributable to:</b>					
Equity holders of the owner's parent		278,836,635	223,709,053	282,494,281	219,084,693
Non-controlling interests		-	-	-	-
		278,836,635	223,709,053	282,494,281	219,084,693
<b>Total comprehensive income</b>					
<b>attributable to:</b>					
Equity holders of the owner's parent		256,365,647	190,286,968	264,837,261	223,695,155
Non-controlling interests		-	-	-	-
		256,365,647	190,286,968	264,837,261	223,695,155
<b>Earnings per share for profit attributable</b>					
<b>to the equity holders of the owners' parent</b>					
Basic earnings per share	28	0.42	0.34	0.43	0.33

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Changes in Equity

For the year ended 31 December 2019

Consolidated financial statements (Baht)												
Attributable to owners of the parent												
Notes	Issued and paid-up share capital	Premium on paid-up ordinary share	Surplus on treasury shares	Retained earnings		Other comprehensive income (loss)			Total other components of equity	Total owners of the parent	Non-controlling interests	Total equity
				Appropriated - legal reserve	Unappropriated	Translation differences	Remeasurements of post-employment benefit obligations	Gain(loss) on remeasurement on investments				
Opening balance as at 1 January 2018	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	-	2,731,289,994
Changes in equity for the year ended 31 December 2018												
Dividend paid	29	-	-	-	(131,686,860)	-	-	-	-	(131,686,860)	-	(131,686,860)
Net profit for the year		-	-	-	223,709,053	-	-	-	-	223,709,053	-	223,709,053
Other comprehensive income (loss)												
for the year		-	-	-	-	(5,884,850)	4,610,462	(14,506,242)	(15,780,630)	(15,780,630)	-	(15,780,630)
Closing balance as at 31 December 2018												
	658,434,300	222,105,000	7,429,904	65,843,430	1,902,811,573	(33,041,859)	(1,544,549)	(14,506,242)	(49,092,650)	2,807,531,557	-	2,807,531,557

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Changes in Equity

For the year ended 31 December 2019

Consolidated financial statements (Baht)													
Attributable to owners of the parent													
Notes	Other components of equity												
	Retained earnings					Other comprehensive income (loss)							
	Issued and paid-up share capital	Premium on paid-up ordinary share	Surplus on treasury shares	Appropriated - legal reserve	Unappropriated	Translation differences	Remeasurements		Gain(loss) on remeasurement on investments	Total other components of equity	Total owners of the parent	Non-controlling interests	Total equity
							of post-employment benefit obligations						
Opening balance as at 1 January 2019	658,434,300	222,105,000	7,429,904	65,843,430	1,902,811,573	(33,041,859)	(1,544,549)	(14,506,242)	(49,092,650)	2,807,531,557	-	2,807,531,557	
- As previously reported													
Effect from correction of accounting error	34.2	-	-	-	-	(17,641,455)	-	-	(17,641,455)	(17,641,455)	-	(17,641,455)	
Opening balance as at 1 January 2019													
- After adjustment	658,434,300	222,105,000	7,429,904	65,843,430	1,902,811,573	(50,683,314)	(1,544,549)	(14,506,242)	(66,734,105)	2,789,890,102	-	2,789,890,102	
Changes in equity for the year ended 31 December 2019													
Dividend paid	29	-	-	-	(98,765,145)	-	-	-	-	(98,765,145)	-	(98,765,145)	
Net profit for the year		-	-	-	278,836,635	-	-	-	-	278,836,635	-	278,836,635	
Other comprehensive income (loss) for the year		-	-	-	-	(10,132,065)	(17,657,020)	5,318,097	(22,470,988)	(22,470,988)	-	(22,470,988)	
Closing balance as at 31 December 2019	658,434,300	222,105,000	7,429,904	65,843,430	2,082,883,063	(60,815,379)	(19,201,569)	(9,188,145)	(89,205,093)	2,947,490,604	-	2,947,490,604	

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Changes in Equity

For the year ended 31 December 2019

Separate financial statements (Baht)									
Note	Issued and paid-up share capital	Premium on paid-up ordinary share	Surplus on treasury shares	Retained earnings		Other component of equity		Total equity	
				Appropriated - legal reserve	Unappropriated	Other comprehensive income (loss)			
						Remeasurements of post-employment benefit obligations	Total other component of equity		
Opening balance as at 1 January 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	
Changes in equity for the year ended 31 December 2018									
Dividend paid	29	-	-	-	-	(131,686,860)	-	-	(131,686,860)
Net profit for the year		-	-	-	-	219,084,693	-	-	219,084,693
Other comprehensive income (loss) for the year		-	-	-	-	-	4,610,462	4,610,462	4,610,462
Closing balance as at 31 December 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
Opening balance as at 1 January 2019		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
Changes in equity for the year ended 31 December 2019									
Dividend paid	29	-	-	-	-	(98,765,145)	-	-	(98,765,145)
Net profit for the year		-	-	-	-	282,494,281	-	-	282,494,281
Other comprehensive income (loss) for the year		-	-	-	-	-	(17,657,020)	(17,657,020)	(17,657,020)
Closing balance as at 31 December 2019		658,434,300	222,105,000	7,429,904	65,843,430	2,082,113,875	(19,201,569)	(19,201,569)	3,016,724,940

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Cash Flows

For the year ended 31 December 2019

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
		Baht	Baht	Baht	Baht
Cash flows from operating activities					
Profit before income tax expenses		338,672,361	273,459,087	342,330,007	268,728,825
Adjustments for:					
Depreciation and amortisation		95,065,275	84,836,724	95,059,776	84,831,224
(Reversal of) allowance for doubtful accounts	9	(618,452)	8,343,110	(618,452)	8,343,110
(Reversal of) allowance for actual cost of inventories in excess of net realisable value	10	492,507	(85,870)	492,507	(85,870)
Allowance for obsolete and defective inventories	10	2,847,915	2,557,077	2,580,806	2,557,077
Gain on disposals of property, plant and equipment	25	(2,083,019)	(5,094,831)	(2,083,019)	(5,094,831)
Loss on revaluation of investment property		-	118,240	-	-
Share of (profit) loss from investments in associates	14	(2,423)	507,204	-	-
Loss from liquidation of an associate company	14	-	1,533,870	-	3,877,275
Loss on disposal of long-term investments		-	198,002	-	-
Unrealised loss on foreign exchange rate		1,029,234	3,135,391	563,779	3,602,356
Employee benefit obligations	21	13,915,001	5,480,322	13,915,001	5,480,322
Interest income	25	(6,365,327)	(4,940,346)	(6,198,359)	(4,842,179)
Dividend received		-	(130,672)	-	-
Finance costs		5,094,614	3,961,688	5,094,614	3,921,340
Changes in working capital					
Trade and other receivables		10,110,451	(6,821,683)	14,087,391	(7,277,008)
Inventories		(61,907,005)	25,669,056	(58,406,011)	26,113,406
Other current assets		(3,037,504)	14,921,588	(2,117,438)	15,982,756
Other non-current assets		(814,305)	(203,955)	(814,305)	-
Trade and other payables		112,229,111	(51,949,333)	110,630,173	(51,572,449)
Other current liabilities		1,125,186	(383,860)	1,266,819	(582,164)
Employee benefit paid	21	(3,924,957)	(780,723)	(3,924,957)	(780,723)
Cash generated from operations		501,828,663	354,330,086	511,858,332	353,202,467
Interest paid		(4,950,545)	(3,446,148)	(4,950,545)	(3,405,800)
Income tax paid		(51,790,365)	(48,513,283)	(51,688,029)	(48,513,283)
Net cash generated from operating activities		445,087,753	302,370,655	455,219,758	301,283,384

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

## Hwa Fong Rubber (Thailand) Public Company Limited

## Statements of Cash Flows

For the year ended 31 December 2019

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term investments	(105,000,000)	(40,000,000)	(105,000,000)	(40,000,000)
Decrease (increase) in restricted deposits	175,000,000	(200,000,000)	175,000,000	(200,000,000)
Purchase of property, plant and equipment	(170,343,542)	(492,895,299)	(170,343,542)	(491,833,505)
Cash received from liquidation of an associate company	-	15,350,087	-	15,350,087
Proceeds from disposal of long-term investments	-	9,525,277	-	-
Proceeds from disposal of property, plant and equipment	2,429,934	13,696,193	2,429,934	13,696,193
Interest received	6,521,521	4,905,063	6,354,555	4,806,896
Net cash used in investing activities	(91,392,087)	(689,418,679)	(91,559,053)	(697,980,329)
<b>Cash flows from financing activities</b>				
Dividend paid to shareholders	(98,701,095)	(131,686,860)	(98,701,095)	(131,686,860)
Cash received from long-term loan from financial institution	-	145,254,018	-	145,254,018
Decrease in finance lease liabilities	(324,338)	(2,074,000)	(324,338)	(2,074,000)
Net cash received from (used in) financing activities	(99,025,433)	11,493,158	(99,025,433)	11,493,158
<b>Net increase (decrease) in cash and cash equivalents</b>	254,670,233	(375,554,866)	264,635,272	(385,203,787)
Cash and cash equivalents at the beginning of the year	465,731,110	845,809,207	368,675,948	753,885,176
Exchange losses on cash and cash equivalents	(3,330,055)	(4,523,231)	(64,455)	(5,441)
<b>Cash and cash equivalents at the ending of the period</b>	717,071,288	465,731,110	633,246,765	368,675,948

**Non-cash transactions:**

During the years ended 31 December 2019 and 2018, the following significant non-cash transactions occurred:

Transfer restricted deposits to short-term investment	25,000,000	-	25,000,000	-
Property, plant and equipment purchased during the year are detailed as follows:				
Increase in plant and equipment	188,504,761	504,361,210	188,504,761	503,299,416
Change in payables on plant and equipment	(18,161,219)	(7,575,911)	(18,161,219)	(7,575,911)
Purchase of vehicles under finance lease agreements	-	(3,890,000)	-	(3,890,000)
Net purchase of property, plant and equipment paid by cash	170,343,542	492,895,299	170,343,542	491,833,505
Transfer property, plants and equipment to investment property	-	246,243,437	-	-

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

**Hwa Fong Rubber (Thailand) Public Company Limited**  
**Notes to the Consolidated and Separate Financial Statements**  
**For the year ended 31 December 2019**

**1 General information**

Hwa Fong Rubber (Thailand) Public Company Limited (“the Company”) is a public limited company which is listed on the Stock Exchange of Thailand and is incorporated and domiciled in Thailand. The address of the Company’s registered office is as follows:

317 Moo 4, Soi 6 C, Bangpoo industrial estate, Praksa, Muang Samut Prakan, Samut Prakan

For reporting purposes, the Company and its subsidiaries are referred to hereafter as “the Group”.

The principal businesses of the Group are manufacturing and distribution of tires and tubes for bicycle, motorcycles and small logistics vehicles.

This consolidated and separate financial statement were authorised for issue by the Company’s authorised director on 27 February 2020.

**2 Accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below:

**2.1 Basis of preparation**

The consolidated and separate financial statements have been prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and the financial reporting requirements issued under the Securities and Exchange Act.

The consolidated and separate financial statements have been prepared under the historical cost convention except available-for-sale investments, and investment properties, which are valued at fair value as disclosed in Note 2.8 and 2.9.

The preparation of financial statements in conformity with TFRS requires management to use certain critical accounting estimates and to exercise its judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in Note 4.

An English version of the consolidated and separate financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Group

#### 2.2.1 The Group has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019

##### a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Group will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 11, Construction contracts, TAS 18, *Revenue* and related interpretations.

The Group has adopted the new TFRS 15, Revenue from contracts with customers from 1 January 2019 (initial application date) by applying the modified retrospective approach and the comparative figures have not been restated. The Group applies practical expedient relates to completed contracts and contract modifications as allowed by TFRS 15.

The Group's management assessed and considered that the impact from adoption of TFRS 15 do not have a significant impact on the Group. So, management considered not to recognise impact that affected to brought forward retained earnings.

The following tables show the amounts of affected line items in the current year from the adoption of TFRS 15 compared to the previous revenue recognition standards, TAS 11 and TAS 18.

	Consolidated financial statements		
	Amounts as reported Baht	Impacts from TFRS 15 Baht	Amounts under the previous revenue standards Baht
<b>Statement of comprehensive income for the year ended 31 December 2019</b>			
Cost of goods sold and services	(2,241,557,146)	3,889,034	(2,237,668,112)
Selling expenses	(98,043,817)	(3,889,034)	(101,932,851)

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Group (Cont'd)

#### 2.2.1 The Group has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019 (Cont'd)

##### a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers (Cont'd)

	Separate financial statements		
	Amounts as reported Baht	Impacts from TFRS 15 Baht	Amounts under the previous revenue standards Baht
<b>Statement of comprehensive income for the year ended 31 December 2019</b>			
Cost of goods sold and services	(2,231,079,111)	3,889,034	(2,227,190,077)
Selling expenses	(97,962,961)	(3,889,034)	(101,851,995)

The adoption of TFRS 15 mainly affects the Group's accounting treatment as follows;

##### a) Accounting for revenue recognition

In previous reporting periods, the Group recognised revenue from sale of goods when the significant risks and rewards are transferred to customer. Sale contracts under incoterm CIF, which include carriage, insurance and freight, are recognised when legal title, goods pass over the ship's rail, is transferred.

Under TFRS 15, revenue from sale of goods and services are recognised based on satisfying that performance obligation at a point in time or over time. Sale of goods under CIF will be recognised when control of those goods has transferred to the customer. In addition, the Group will need to consider to recognise service income over time for unsatisfied performance obligations.

To reflect this change in policy since 1 January 2019, the Group has reclassified selling expense to cost of service amounting to Baht 3,889,034.

##### b) Accounting for variable consideration promised under the contract

In previous reporting periods, the Group provide promised goods or services to customer. The consideration can be varies, such as of free goods, rebates or other benefits. When customer satisfied the conditions on the contract, the Group will estimate amount of the consideration expect to pay to the customer from past experience as obligation to either transfer goods or services in the future.

Under TFRS 15, the Group will estimate the amount of variable consideration which the Group is entitled to receive in exchange for the promised goods or services. If the consideration are non-cash, the Group shall measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer and allocate the transaction price in proportion to those stand-alone selling prices.

The Group's management assessed that the above revised standard do not have a significant impact on the Group.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Group (Cont'd)

#### 2.2.1 The Group has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019 (Cont'd)

##### b) Thai Accounting Standard no.28 (revised 2018), Investments in associates and joint ventures

The amendment clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

The Group's management assessed that the above revised standard do not have a significant impact on the Group.

##### c) Thai Accounting Standard no.40 (revised 2018), Investment property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The Group's management assessed that the above revised standard do not have a significant impact on the Group.

##### d) Thai Financial Reporting Interpretation no.22 (TFRIC 22), Foreign currency transactions and advance consideration

TFRIC 22 clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The Group's management assessed that the above revised standard do not have a significant impact on the Group.

#### 2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020

Certain new and amended financial reporting standards have been issued that are not mandatory for current period ended 31 December 2019 reporting period and have not been early adopted by the Group.

##### a) Financial instruments

The new financial standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

The Group's management is currently assessing the impacts from these standards.

##### b) TFRS 16, Leases

Where the Group is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

The Group's management is currently assessing the impacts from these standards.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Group (Cont'd)

#### 2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020 (Cont'd)

Certain new and amended financial reporting standards have been issued that are not mandatory for current period ended 31 December 2019 reporting period and have not been early adopted by the Group. (Cont'd)

#### c) Other new/amended standards

The new and amended financial reporting standards that will have significant impact on the Group are:

TAS 12	Income tax
TAS 19	Employee benefits
TAS 23	Borrowing cost
TAS 28	Investments in associates and joint ventures
TFRS 3	Business combinations
TFRS 9	Financial instruments
TFRS 11	Joint arrangements
TFRIC 23	Uncertainty over income tax treatments

**Amendment to TAS 12, Income tax** - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

**Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

**Amendment to TAS 23, Borrowing costs** - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**Amendment to TAS 28, Investments in associates and joint ventures (long-term interests in associates and joint ventures)** - clarified the accounting for long-term interests in an associate or joint venture, which is in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under TFRS 9, Financial instruments before applying the loss allocation and impairment requirements in TAS 28, *Investments in associates and joint ventures*.

**Amendment to TFRS 3, Business combinations** - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The previously held interest is therefore re-measured.

**Amendment to TFRS 11, Joint arrangements** - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

**TFRIC 23, Uncertainty over income tax treatments** - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group's management is currently assessing the impacts from these standards.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.3 Principles of consolidation and equity accounting

#### a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases.

In the separate financial statements, investments in subsidiaries are accounted for using cost method. Direct costs related to purchase of investment are recognised as an initial cost of investment.

#### b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting.

In the separate financial statements, investments in associates are accounted for using cost method

#### c) Equity method

The investment is initially recognised at cost which is consideration paid and directly attributable costs. The Group's subsequently recognises shares of its associates and joint ventures' profits or losses and other comprehensive income in the profit or loss and other comprehensive income, respectively. The subsequent cumulative movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in associates and joint ventures equals or exceeds its interest in the associates and joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates and joint ventures.

#### d) Intercompany transactions on consolidation

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated in the same manner unless the transaction provides evidence of an impairment of the asset transferred.

### 2.4 Foreign currency translation

#### a) Functional and presentation currency

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

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the date of revaluation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.4 Foreign currency translation (Cont'd)

#### c) Group companies

The operational results and financial position of the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a different functional currency from the Group's presentation currency are translated into the presentation currency as follows.

- Assets and liabilities are translated at the closing rate at the date of respective statement of financial position;
- Income and expenses for statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

### 2.5 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call, short-term highly liquid investments with maturities of three months or less from acquisition date. Bank overdrafts are presented in current liabilities of the statement of financial position.

### 2.6 Trade accounts receivable

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditionally unless they contain significant financing components, when they are recognised at its present value. The Group presented trade receivables at cost less allowance for doubtful accounts.

### 2.7 Inventories

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

Cost of inventories is determined by the weighted average method. Cost of raw materials comprise all purchase cost and costs directly attributable to the acquisition of the inventory less all attributable discounts. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and directly attributable costs in bringing the inventories to their present location and condition.

### 2.8 Investments in debt and equity securities

Investments other than investments in subsidiaries, associates and joint ventures are initially recognised at fair value of consideration paid plus direct transaction cost.

#### *Trading and available-for-sale investments*

Trading investments and available-for-sale investments are subsequently measured at fair value. The unrealised gains and losses of trading investments are recognised in profit or loss. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income and are subsequently reclassified to profit or loss when the investment is disposed.

#### *Held-to-maturity investments*

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment.

#### *General investments*

General investments are carried at cost less impairment.

#### *Disposal of investments*

On a disposal of an investment, the difference between the net disposal proceeds and the carrying amount (including cumulative changes in fair value recognised in equity) is recognised to the profit or loss. When the Group disposes an investment partially, the carrying amount of the disposed part is determined by the weighted average method.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.9 Investment property

Investment properties, principally land held under operating leases, are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group.

Investment property is measured subsequently at fair value. Changes in fair values are presented in profit or loss.

### 2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and building improvement	10 - 40 years
Plant and machinery	5 - 20 years
Office equipment, furniture and fixtures	5 - 10 years
Vehicles	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.11 Intangible assets

#### *Computer software*

Acquired computer software is measured at cost. These costs are amortised over their estimated useful lives not over than 3 - 10 years.

Repairs and maintenance for computer software are recorded as expenses when incurred.

### 2.12 Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the reasons for previously recognised impairments no longer exist, the impairment losses on the assets concerned other than goodwill is reversed.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.13 Leases

#### *Leases - where the Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.

#### *Leases - where the Group is the lessor*

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease which reflects a constant periodic rate of return. Initial direct costs are included in initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Rental income under operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### 2.14 Borrowings

Borrowings are recognised initially at the fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it will be drawn down. The fee is deferred until the drawn down occurs and included in effective interest calculation. However, if it is probable that facility will not be drawn down, that portion of the fee paid is recognised as a prepayment and amortised over the period of related facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that take 12 months to get ready for its intended use or sale) are added to the cost of those assets less investment income earned from those specific borrowings. The capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

#### *Current tax*

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.16 Current and deferred income taxes (Cont'd)

#### *Deferred income tax*

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- Initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised
- Investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.17 Employee benefits

#### a) *Short-term employee benefits*

Liabilities for short-term employee benefits such as wages, salaries, and profit-sharing and bonuses that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.

#### b) *Defined contribution plan*

The Group pays contributions to a separate fund on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### c) *Retirement benefit*

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that matches the terms and currency of the expected cash outflows.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise. They are presented as a separate item in statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

#### d) *Termination benefits*

The Group recognises termination benefits at the earlier of (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for the related restructuring. Benefits due more than 12 months are discounted to their present value.

**2 Accounting policies (Cont'd)**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

**2.18 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.19 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares (net of tax) are shown as a deduction in equity.

*Treasury share*

Where any companies within the Group repurchases its shares, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

**2.20 Revenue recognition**

Revenue include all revenues from ordinary business activities. All ancillary income in connection with the delivery of goods and rendering of services in the course of the Group's ordinary activities is also presented as revenue.

Revenue are recorded net of value added tax. They are recognised in accordance with the provision of goods or services, provided that collectibility of the consideration is probable.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into distinct performance obligations. Total transaction price of the bundled contract is allocated to each performance obligation based on their relative standalone selling prices or estimated standalone selling prices. Each performance obligation is recognised as revenue on fulfillment of the obligation to the customer.

*Services*

The Group recognised service contracts with a continuous service provision as revenue on a straight line basis over the contract term, regardless of the payment pattern.

*Contract assets and contract liabilities*

A contract asset is recognised where the Group recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before the requirements for billing.

A contract liability is recognised when the customer paid consideration or a receivable from the customer that is due before the Group fulfilled a contractual performance obligation.

For each customer contract, contract liabilities is set off against contract assets.

## 2 Accounting policies (Cont'd)

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below: (Cont'd)

### 2.20 Revenue recognition (Cont'd)

#### *Sale of goods - wholesale*

The Group manufactures and sells a range of tire and tubes for bicycle, motorcycles and small logistics vehicles in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The distributed tire and tube is often sold with retrospective volume discounts based on aggregate sales over a 3 months period in each quarter. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 30 - 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### *Sale of goods - customer loyalty programme*

The Group operates a loyalty programme where retail customers accumulate point of purchase volume made which entitle them to free product. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they are expired.

#### *Material right*

Options granted to customers to purchase additional goods or services free of charge or at a discount are separate performance obligations, material right. Part of the transaction price is deferred as a contract liability until the option is exercised or expired.

#### *Payment to customers*

Payment to customers or on behalf of customers to other parties, including credited or subsequent discounts, are recognised as a reduction as a reduction in revenue unless the payment constitutes consideration of a distinct goods or service from the customer.

#### *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

### 2.21 Dividend distribution

Dividend distributed to the Company's shareholders is recognised as a liability when interim dividends are approved by the Board of Directors, and when the annual dividends are approved by the shareholders.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group exposes to a variety of financial risks: market risk (currency risk, fair value risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors provides written principles for overall risk management which is carried out by a central treasury department (the Group treasury), including identification, evaluation and hedge of financial risks in close co-operation with operating units.

##### 3.1.1 Foreign exchange risk

The Group's primary functional currency(ies) is Thai Baht. Sales, purchases and borrowings transactions are also primarily denominated in Thai Baht. Therefore, the Group has no significant foreign exchange risk as they do not have any significant financial assets and liabilities in foreign currencies. The Group considers that it is not necessary to use derivative financial instruments to hedge against such risk because the management believes that future fluctuations in exchange rates in the future market will not have a significant impact on the Group's operations.

##### *Foreign operations*

The Group has only an investment in a foreign subsidiary in Indonesia, which the Group assessed that there is no significant foreign exchange risk. The Group considers that it is not necessary to use derivative financial instruments to hedge against such risk because the management believes that future fluctuations in exchange rates in the future market will not have a significant impact on the Group's

##### 3.1.2 Interest rate risk

The Group has normal interest rate risk from deposits and borrowing with financial institutions. The Group has long-term loans for business operation from financial institutions with floating interest-bearing rate.

##### 3.1.3 Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that contracts are made with customers who have an appropriate credit history, limiting customers' credit.

##### 3.1.4 Liquidity risk

The Group manages sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

#### 3.2 Fair value

The following table presents financial assets and liabilities that are measured at fair value, excluding where its fair value is approximating the carrying amount.

	Consolidated financial statements							
	Level 1		Level 2		Level 3		Total	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Assets:</b>								
<b>Available-for-sale investments</b>								
Equity investments	31,932,198	26,614,101	-	-	-	-	31,932,198	26,614,101
<b>Total assets</b>	31,932,198	26,614,101	-	-	-	-	31,932,198	26,614,101

Fair values are categorised into hierarchy based on inputs used as follows:

Level 1: The fair value of financial instruments is based on quoted market prices at the statements of financial position date. The quoted market price used for financial assets held by the Group is the closing price by reference to the Stock Exchange of Thailand. These instruments are included in level 1.

There were no transfers between levels of fair value during the years.

Since the majority of the financial assets are short-term and that the borrowings carry interest at the rate close to current market rate, the fair values of the Group's financial assets and financial liabilities is approximately to their carrying amounts.

##### *The Group's valuation processes*

Chief Financial Officer (CFO), Audit Committee (AC) and a valuation team discuss valuation processes and results at least every quarter.

#### 4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Useful life of intangible asset*

The Group estimates the useful life of computer software to be 3 - 10 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than the determined life, depending on technical innovations.

##### *Defined retirement benefit obligations*

The present value of the retirement benefit obligations depends on a number of assumptions. Key assumptions used and impacts from possible changes in key assumptions are disclosed in note 21.

#### 5 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### 6 Segment information

The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chairman of the Board that makes strategic decisions examines the Group's performance both from a product and geographic perspective and has identified two reportable segments and five reportable segments, respectively, of the Group's businesses.

The Chairman of the Board primarily uses a measure of segments' revenue and gross margin to assess the performance of the operating segments.

The segment revenue information for the year ended 31 December 2018 has been prepared in accordance with TAS 11 and TAS 18 (old revenue recognition standards). Therefore, the segment revenue information presented in the current and prior years are not comparable. The comparable revenue information is disclosed in note 2.2.1 a.

## 6 Segment information

Significant information relating to revenue and profit of the reportable segments are as follows.

	Consolidated financial information					
	Sale of goods		Investment		Total	
	2019 Baht'000	2018 Baht'000	2019 Baht'000	2018 Baht'000	2019 Baht'000	2018 Baht'000
Total revenue	2,748,939	2,571,043	2	131	2,748,941	2,571,174
Inter-segment revenue	12,252	15,565	-	-	12,252	15,565
Revenue from external customers	2,736,687	2,555,478	2	131	2,736,689	2,555,609
Timing of revenue recognition:						
At a point in time	2,736,687	2,555,478	2	131	2,736,689	2,555,609
Over time	-	-	-	-	-	-
	2,736,687	2,555,478	2	131	2,736,689	2,555,609
Gross profit	495,128	416,674	2	131	495,130	416,805
Selling and administrative expense	(150,328)	(164,592)	-	-	(150,328)	(164,592)
Net profit before income tax	338,670	273,328	2	131	338,672	273,459
Income tax	(59,836)	(49,750)	-	-	(59,836)	(49,750)
Net profit for the year	278,835	223,578	2	131	278,837	223,709
Investment property	220,788	228,484	-	-	220,788	228,484
Property, plant and equipment (net)	1,363,139	1,269,648	-	-	1,363,139	1,269,648
Total assets	3,653,530	3,323,104	-	-	3,653,530	3,323,104

The Group's revenues of approximately Baht 659.60 million (2018: Baht 527.75 million) are derived from a major customer. These revenues are attributed to the sale of goods segment.

	Consolidated financial information	
	For the year ended 31 December	
	2019 Baht'000	2018 Baht'000
Local	816,282	787,801
Oversea - Asia	1,419,958	1,240,466
Oversea - Europe	230,037	305,462
Oversea - America	235,474	195,230
Oversea - Others	34,936	26,519
Total	2,736,687	2,555,478

## 7 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Cash on hand	401,459	193,313	394,017	185,448
Deposits held at call with banks				
- current accounts	72,171,353	74,347,586	6,705,985	2,081,146
- savings accounts	644,498,476	347,190,211	626,146,763	336,409,354
- fixed accounts	-	14,000,000	-	-
Bill of exchange	-	30,000,000	-	30,000,000
Total cash and cash equivalents	717,071,288	465,731,110	633,246,765	368,675,948

As at 31 December 2018, 3 months fixed deposits bear interest at the rate of 1.35 % per annum and bill of exchange with maturities of 74 days bear interest at the rate of 1.35 % per annum.

## 8 Short-term investments

Short-term investments as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Fixed deposits	130,000,000	-	130,000,000	-
Bill of exchange	40,000,000	40,000,000	40,000,000	40,000,000
Total short-term investments	170,000,000	40,000,000	170,000,000	40,000,000

As at 31 December 2019, short-term investments represent 6 months and 12 months, which fixed deposits bear interest at the rate of 1.60% per annum, and bills of exchange with maturities of 183 days bear interest at the rate of 1.40% per annum (2018: Bill of exchange with maturities of 122 days at the rate of 1.50% per annum).

The movements of short-term investments for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements			
	Available- for-sale Baht	Bill of exchange Baht	Fixed deposits Baht	Total Baht
<b>At 1 January 2018</b>	9,723,280	-	-	9,723,280
Additions	-	70,000,000	-	70,000,000
Disposals	(9,525,277)	(30,000,000)	-	(39,525,277)
Change in fair value of available-for-sale investments	(198,003)	-	-	(198,003)
<b>At 31 December 2018</b>	-	40,000,000	-	40,000,000
Restricted deposits	-	-	25,000,000	25,000,000
transferred to short-term investment	-	-	25,000,000	25,000,000
Additions	-	70,000,000	160,000,000	230,000,000
Disposals	-	(70,000,000)	(55,000,000)	(125,000,000)
<b>At 31 December 2019</b>	-	40,000,000	130,000,000	170,000,000
	Separate financial statements			
	Available- for-sale Baht	Bill of exchange Baht	Fixed deposits Baht	Total Baht
<b>At 1 January 2018</b>	-	-	-	-
Additions	-	70,000,000	-	70,000,000
Disposals	-	(30,000,000)	-	(30,000,000)
<b>At 31 December 2018</b>	-	40,000,000	-	40,000,000
Restricted deposits	-	-	25,000,000	25,000,000
transferred to short-term investment	-	-	25,000,000	25,000,000
Additions	-	70,000,000	160,000,000	230,000,000
Disposals	-	(70,000,000)	(55,000,000)	(125,000,000)
<b>At 31 December 2019</b>	-	40,000,000	130,000,000	170,000,000

## 9 Trade and other receivables (net)

Trade and other receivables (net) as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Trade accounts receivable				
- other parties	673,284,649	669,465,608	672,233,622	667,447,443
<u>Less</u> Allowance for doubtful accounts	(171,391,902)	(167,429,971)	(171,391,902)	(167,429,971)
Total trade accounts receivable				
- other parties (net)	501,892,747	502,035,637	500,841,720	500,017,472
Trade accounts receivable				
- related parties (Note 30.3)	17,519,702	28,969,392	17,519,702	28,969,392
<u>Less</u> Allowance for doubtful accounts	-	(4,192,965)	-	(4,192,965)
Total trade accounts receivable				
- related parties (net)	17,519,702	24,776,427	17,519,702	24,776,427
Amounts due from related parties (Note 30.3)	-	296,575	644,078	296,575
Interest receivable	56,647	212,843	56,647	212,843
Advance payment for raw materials	-	415,062	-	415,062
Others (net)	4,643,580	8,149,808	4,595,982	11,795,778
Total trade and other receivables (net)	524,112,676	535,886,352	523,658,129	537,514,157

Trade accounts receivable - other parties as at 31 December 2019 and 2018 can be aged as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Not yet due	449,567,691	435,124,964	448,557,035	433,106,799
Overdue not exceeding 3 months	55,414,708	58,190,217	55,378,261	58,190,217
Overdue 3 to 6 months	2,742,968	6,181,359	2,739,044	6,181,359
Overdue 6 to 12 months	1,226,472	2,590,370	1,226,472	2,590,370
Overdue 12 months	164,332,810	167,378,698	164,332,810	167,378,698
	673,284,649	669,465,608	672,233,622	667,447,443
<u>Less</u> Allowance for doubtful accounts	(171,391,902)	(167,429,971)	(171,391,902)	(167,429,971)
Total trade accounts receivable				
- other parties (net)	501,892,747	502,035,637	500,841,720	500,017,472

The normal credit term given to customers by the Group is 30 to 90 days.

## 9 Trade and other receivables (net) (Cont'd)

During the second quarter of 2016, the Company 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 Company set up the allowance for doubtful accounts of such receivable amounting to Baht 160 million.

During the year 2018, the lawsuit against Yoko Alloy Wheel Company Limited was finalised with the favourable judgement to the Company. Currently, the Company is in the process of enforcement of debtor to pay Baht 160 million by legal execution department. However, the recoverability of such receivable was still uncertain.

Trade accounts receivable - related parties as at 31 December 2019 and 2018 can be aged as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Not yet due	17,519,702	20,950,580	17,519,702	20,950,580
Overdue not exceeding 3 months	-	3,831,233	-	3,831,233
Overdue 3 to 6 months	-	-	-	-
Overdue 6 to 12 months	-	614,063	-	614,063
Overdue 12 months	-	3,573,516	-	3,573,516
	17,519,702	28,969,392	17,519,702	28,969,392
<u>Less</u> Allowance for doubtful accounts	-	(4,192,965)	-	(4,192,965)
Total trade accounts receivable				
- related parties (net)	17,519,702	24,776,427	17,519,702	24,776,427

During the year 2019, the Company reversed allowance for doubtful accounts because the Company received full repayment.

## 10 Inventories (net)

Inventories (net) as at 31 December 2019 and 2018 comprise the following :

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Raw material	164,587,602	194,979,781	164,587,602	194,979,781
Work in progress	37,481,332	35,229,419	37,481,332	35,229,419
Finished goods	271,976,464	221,102,090	267,842,803	220,469,423
Spare parts and supplies	70,832,705	65,899,493	70,832,705	65,899,493
	544,878,103	517,210,783	540,744,442	516,578,116
<u>Less</u> Allowance for obsolete and defective				
- Raw materials	(363,619)	(782,383)	(363,619)	(782,383)
- Finished goods	(8,158,987)	(4,652,892)	(7,834,133)	(4,595,147)
- Spare parts and supplies	(5,957,245)	(6,196,661)	(5,957,245)	(6,196,661)
<u>Less</u> Allowance for actual cost in excess of net realisable value				
- Finished goods	(501,673)	(9,166)	(501,673)	(9,166)
	(14,981,524)	(11,641,102)	(14,656,670)	(11,583,357)
Goods in transit	37,902,424	3,662,739	37,902,424	3,662,739
Total inventories (net)	567,799,003	509,232,420	563,990,196	508,657,498

**10 Inventories (net) (Cont'd)**

During the year ended 31 December 2019 and 2018, amounts recognised as cost of sales in profit or loss are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Cost of sales and cost of services	2,238,216,724	2,136,201,888	2,228,005,798	2,120,939,823
(Reversal) of allowance for obsolete and defective	2,847,915	2,557,077	2,580,806	2,557,077
(Reversal) of write down inventories to net realisable value	492,507	(85,870)	492,507	(85,870)

**11 Other current assets (net)**

Other current assets (net) as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Tax receivable (net)	2,450,388	3,615,090	2,450,388	3,615,090
Value added tax receivable	13,951,961	10,900,757	11,897,492	9,776,714
Undue input VAT	3,283,757	1,734,702	3,283,104	1,734,324
Others	1,581	12,216	-	-
Total other current assets (net)	19,687,687	16,262,765	17,630,984	15,126,128

**12 Other long-term investments (net)**

Other long-term investments (net) as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Available-for-sale investments</b>				
Equity securities	68,187,152	68,187,152	-	-
<u>Less</u> Remeasurement	(9,188,145)	(14,506,242)	-	-
<u>Less</u> Allowance for decrease in value	(27,066,809)	(27,066,809)	-	-
Total other long-term investments (net)	31,932,198	26,614,101	-	-

**12 Other long-term investments (net) (Cont'd)**

The movements in long-term investments (net) during the years ended 31 December 2019 and 2018 are as follows:

	Consolidated financial statements	Separate financial statements
	Available-for-sale Baht	Available-for-sale Baht
<b>At 1 January 2018</b>	50,843,622	-
Disposals	(9,723,279)	-
Change in fair value of available-for-sale investments	(14,506,242)	-
<b>At 31 December 2018</b>	26,614,101	-
Change in fair value of available-for-sale investments	5,318,097	-
<b>At 31 December 2019</b>	31,932,198	-

Fair value of available-for-sale investments is based on market value of equity investments as at last working day of the period ended at reporting date within level 1 of the fair value hierarchy.

**13 Investments in subsidiaries (net)**

Investments in subsidiaries (net) as at 31 December 2019 and 2018 comprise the following:

Entity name	Country of incorporation	Nature of business	Ownership interest held by Company		Voting rights		Investment at Cost method	
			2019	2018	2019	2018	2019	2018
			(%)	(%)	(%)	(%)	Baht	Baht
HFT Holding	Thailand	Investment in bonds and securities, wholesale and retail trading of tires and tubes and equipment	100	100	100	100	65,557,214	65,557,214
PT. Hwa Fong Rubber Indonesia	Indonesia	Manufacture and distribution of tire and tube for bicycle and motorcycle	100	100	100	100	346,698,000	346,698,000
							412,255,214	412,255,214

**14 Investment in associates (net)**

Investments in associates (net) as at 31 December 2019 and 2018 comprise the following:

Entity name	Country of incorporation	Nature of business	Ownership interest held by Company		Consolidated financial statements		Separate financial statements	
			2019	2018	Investment at equity method		Investment at cost method	
			%	%	Baht	Baht	Baht	Baht
The Asent (Thailand) Co., Ltd.	Thailand	(1)	43	43	1,184,739	1,182,316	1,161,000	1,161,000
<b>Total</b>					1,184,739	1,182,316	1,161,000	1,161,000

(1) International trading of bicycle and motorcycles.

**14 Investments in associates (net) (Cont'd)**

The movements of investments in associates (net) for the years ended 31 December 2019 and 2018 comprise the following:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Investment at equity method</b>		<b>Investment at cost method</b>	
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
Opening net book amount	1,182,316	18,525,715	1,161,000	20,388,362
Share of profit (loss) from associates	2,423	(507,204)	-	-
<u>Less</u> Cash received from a dissolved associate	-	(15,350,087)	-	(15,350,087)
<u>Less</u> Loss from dissolution of an associate	-	(1,533,870)	-	(3,877,275)
Translation differences	-	47,762	-	-
Closing net book amount	1,184,739	1,182,316	1,161,000	1,161,000

The Ascent (Thailand) Co., Ltd. is a limited company and the company's stock has no quoted price in the market. The Company was registered for dissolution on 27 February 2018. As at 31 December 2019 the liquidation has not been completed.

The Group has no contingent liability arise from interest of investments in associates.

**15 Investment property**

The movements of investment property for the years ended 31 December 2019 and 2018 comprise the following:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Opening balance at 1 January</b>	228,483,742	-	-	-
Transferred from property plant and equipment (Note 16)	-	246,243,437	-	-
Net gain/(loss) from fair value adjustment	-	(118,240)	-	-
Currency translation differences recognised In other comprehensive income	(7,696,048)	(17,641,455)	-	-
<b>Closing balance at 31 December</b>	220,787,694	228,483,742	-	-

Investment property held by the Group consists of land which measured by fair value.

The fair value of investment property is based on the selling price comparison approach. The Group evaluated the valuation of investment property by independent valuation experts ("Independent Appraiser") in 2018 which independent appraiser is certified according to professional standard and has an experience in appraising the selling price in the same type of property and in the same location as or near that investment property.

Fair value measurement is classified as level 2 of fair value hierarchy levels and the Group does not change the valuation techniques during the year.

As at 31 December 2019 and 2018, the Group does not have any income and expenses related to investment property because the Group's management is still considering the objective at the investment property.

**16 Property, plant and equipment (net)**

The movements of property, plant and equipment (net) for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements						
	Land Baht	Buildings and building improvement Baht	Plant and machinery Baht	Office equipment, furniture and fixtures Baht	Vehicles Baht	Construction in progress Baht	Total Baht
<b>At 1 January 2018</b>							
Cost	288,113,804	404,655,780	2,030,360,856	14,668,075	28,224,422	134,979,810	2,901,002,747
<u>Less</u> Accumulated depreciation	-	(190,198,596)	(1,585,386,459)	(12,254,889)	(17,377,052)	-	(1,805,216,996)
Net book amount	288,113,804	214,457,184	444,974,397	2,413,186	10,847,370	134,979,810	1,095,785,751
<b>For the year ended 31 December 2018</b>							
Opening net book amount	288,113,804	214,457,184	444,974,397	2,413,186	10,847,370	134,979,810	1,095,785,751
Additions	196,975,125	1,679,000	19,889,695	848,501	6,294,239	278,674,650	504,361,210
Disposals - cost	-	-	(52,289,679)	(45,832)	(2,318,900)	-	(54,654,411)
- accumulated depreciation	-	-	52,134,762	43,469	2,318,895	-	54,497,126
Transfer in(out)	80,281,290	2,810,000	53,950,929	11,511	1,452,841	(138,506,571)	-
Transfer to investment property (Note 15)	(246,243,437)	-	-	-	-	-	(246,243,437)
Depreciation charge	-	(11,380,839)	(69,604,060)	(839,210)	(2,274,126)	-	(84,098,235)
Closing net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004
<b>At 31 December 2018</b>							
Cost	319,126,782	409,144,780	2,051,911,801	15,482,255	33,652,602	275,147,889	3,104,466,109
<u>Less</u> Accumulated depreciation	-	(201,579,435)	(1,602,855,757)	(13,050,630)	(17,332,283)	-	(1,834,818,105)
Net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004

**16 Property, plant and equipment (net) (Cont'd)**

The movements of property, plant and equipment (net) for the years ended 31 December 2019 and 2018 comprise the following: (Cont'd)

	Consolidated financial statements						
	Land	Buildings and building improvement	Plant and machinery	Office equipment, furniture and fixtures	Vehicles	Construction in progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>For the year ended 31 December 2019</b>							
Opening net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004
Additions	-	10,179,000	46,079,894	614,824	1,117,963	130,513,080	188,504,761
Disposals - cost	-	(2,206,865)	(39,018,610)	(355,045)	(4,297,641)	-	(45,878,161)
- accumulated depreciation	-	2,075,494	38,814,379	350,962	4,290,411	-	45,531,246
Transfer in(out)	-	125,186,707	66,794,192	-	-	(191,980,899)	-
Depreciation charge	-	(14,797,062)	(76,203,435)	(881,994)	(2,784,626)	-	(94,667,117)
Closing net book amount	319,126,782	328,002,619	485,522,464	2,160,372	14,646,426	213,680,070	1,363,138,733
<b>At 31 December 2019</b>							
Cost	319,126,782	542,303,622	2,125,767,277	15,742,034	30,472,924	213,680,070	3,247,092,709
<u>Less</u> Accumulated depreciation	-	(214,301,003)	(1,640,244,813)	(13,581,662)	(15,826,498)	-	(1,883,953,976)
Net book amount	319,126,782	328,002,619	485,522,464	2,160,372	14,646,426	213,680,070	1,363,138,733

**16 Property, plant and equipment (net) (Cont'd)**

The movements of property, plant and equipment (net) for the years ended 31 December 2019 and 2018 comprise the following: (Cont'd)

	Separate financial statements						
	Land Baht	Buildings and building improvement Baht	Plant and machinery Baht	Office equipment, furniture and fixtures Baht	Vehicles Baht	Construction in progress Baht	Total Baht
<b>At 1 January 2018</b>							
Cost	112,151,657	404,655,780	2,030,360,856	14,668,075	28,224,422	65,760,314	2,655,821,104
<u>Less</u> Accumulated depreciation	-	(190,198,596)	(1,585,386,459)	(12,254,889)	(17,377,052)	-	(1,805,216,996)
Net book amount	112,151,657	214,457,184	444,974,397	2,413,186	10,847,370	65,760,314	850,604,108
<b>For the year ended 31 December 2018</b>							
Opening net book amount	112,151,657	214,457,184	444,974,397	2,413,186	10,847,370	65,760,314	850,604,108
Additions	196,975,125	1,679,000	19,889,695	848,501	6,294,239	277,612,856	503,299,416
Disposals - cost	-	-	(52,289,679)	(45,832)	(2,318,900)	-	(54,654,411)
- accumulated depreciation	-	-	52,134,762	43,469	2,318,895	-	54,497,126
Transfer in(out)	10,000,000	2,810,000	53,950,929	11,511	1,452,841	(68,225,281)	-
Depreciation charge	-	(11,380,839)	(69,604,060)	(839,210)	(2,274,126)	-	(84,098,235)
Closing net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004
<b>At 31 December 2018</b>							
Cost	319,126,782	409,144,780	2,051,911,801	15,482,255	33,652,602	275,147,889	3,104,466,109
<u>Less</u> Accumulated depreciation	-	(201,579,435)	(1,602,855,757)	(13,050,630)	(17,332,283)	-	(1,834,818,105)
Net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004

## 16 Property, plant and equipment (net) (Cont'd)

The movements of property, plant and equipment (net) for the years ended 31 December 2019 and 2018 comprise the following: (Cont'd)

	Separate financial statements						
	Buildings		Office equipment,		Construction		Total
	Land	and building	Plant and	furniture and	Vehicles	in progress	
	Baht	improvement	machinery	fixtures	Baht	Baht	
<b>For the year ended 31 December 2019</b>							
Opening net book amount	319,126,782	207,565,345	449,056,044	2,431,625	16,320,319	275,147,889	1,269,648,004
Additions	-	10,179,000	46,079,894	614,824	1,117,963	130,513,080	188,504,761
Disposals - cost	-	(2,206,865)	(39,018,610)	(355,045)	(4,297,641)	-	(45,878,161)
- accumulated depreciation	-	2,075,494	38,814,379	350,962	4,290,411	-	45,531,246
Transfer in(out)	-	125,186,707	66,794,192	-	-	(191,980,899)	-
Depreciation charge	-	(14,797,062)	(76,203,435)	(881,994)	(2,784,626)	-	(94,667,117)
Closing net book amount	319,126,782	328,002,619	485,522,464	2,160,372	14,646,426	213,680,070	1,363,138,733
<b>At 31 December 2019</b>							
Cost	319,126,782	542,303,622	2,125,767,277	15,742,034	30,472,924	213,680,070	3,247,092,709
<u>Less</u> Accumulated depreciation	-	(214,301,003)	(1,640,244,813)	(13,581,662)	(15,826,498)	-	(1,883,953,976)
Net book amount	319,126,782	328,002,619	485,522,464	2,160,372	14,646,426	213,680,070	1,363,138,733

**16 Property, plant and equipment (net) (Cont'd)**

Leased assets included above, where the Group is a lessee under a finance lease, comprise vehicles as at 31 December 2019 and 2018 comprise the following:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Cost - finance leases	3,912,512	3,912,512	3,912,512	3,912,512
<u>Less</u> Accumulated depreciation	(413,726)	(18,412)	(413,726)	(18,412)
Net book amount	3,498,786	3,894,100	3,498,786	3,894,100

As at 31 December 2019, the Group have mortgaged and /or pledge land with structure which had the carrying value totaling Baht 206.98 million (2018: Baht 206.98 million) in the consolidated and separate financial statements as collateral for a long-term loan from financial institution, as explained in Note 19.

**17 Intangible assets (net)**

The movements of intangible assets (net) for the years ended 31 December 2019 and 2018 comprise the following:

	<b>Consolidated financial statements</b>
	<b>Computer software</b>
	<b>Baht</b>
<b>At 1 January 2018</b>	
Cost	7,737,976
<u>Less</u> Accumulated amortisation	(5,642,552)
Net book amount	2,095,424
<b>For the year ended 31 December 2018</b>	
Opening net book amount	2,095,424
Amortisation charge	(483,489)
Closing net book amount	1,611,935
<b>At 31 December 2018</b>	
Cost	7,737,976
<u>Less</u> Accumulated amortisation	(6,126,041)
Net book amount	1,611,935
<b>For the year ended 31 December 2019</b>	
Opening net book amount	1,611,935
Amortisation charge	(381,158)
Closing net book amount	1,230,777
<b>At 31 December 2019</b>	
Cost	7,737,976
<u>Less</u> Accumulated amortisation	(6,507,199)
Net book amount	1,230,777

**17 Intangible assets (net) (Cont'd)**

The movements of intangible assets (net) for the years ended 31 December 2019 and 2018 comprise the following:

	<b>Separate financial statements Computer software Baht</b>
<b>At 1 January 2018</b>	
Cost	7,682,976
<u>Less</u> Accumulated amortisation	(5,622,360)
Net book amount	2,060,616
<b>For the year ended 31 December 2018</b>	
Opening net book amount	2,060,616
Amortisation charge	(477,989)
Closing net book amount	1,582,627
<b>At 31 December 2018</b>	
Cost	7,682,976
<u>Less</u> Accumulated amortisation	(6,100,349)
Net book amount	1,582,627
<b>For the year ended 31 December 2019</b>	
Opening net book amount	1,582,627
Amortisation charge	(375,659)
Closing net book amount	1,206,968
<b>At 31 December 2019</b>	
Cost	7,682,976
<u>Less</u> Accumulated amortisation	(6,476,008)
Net book amount	1,206,968

Amortisation recognised in profit and loss that are related to intangible assets for the years ended 31 December 2019 and 2018 are as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
Cost of goods sold	125,103	196,298	125,103	196,298
Administrative expense	256,055	287,191	250,556	281,691
	381,158	483,489	375,659	477,989

**18 Deferred income taxes (net)**

Deferred income taxes (net) as at 31 December 2019 and 2018 comprise the following:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Deferred tax assets:</b>				
Deferred tax asset to be recovered				
within 12 months	25,762,119	24,895,840	25,762,119	24,895,840
Deferred tax asset to be recovered				
more than 12 months	12,769,555	5,978,545	12,769,555	5,978,545
	38,531,674	30,874,385	38,531,674	30,874,385
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled				
within 12 months	-	-	-	-
Deferred tax liabilities to be settled				
more than 12 months	(3,135,261)	(2,819,061)	(3,135,261)	(2,819,061)
	(3,135,261)	(2,819,061)	(3,135,261)	(2,819,061)
<b>Deferred tax asset (net)</b>	<b>35,396,413</b>	<b>28,055,324</b>	<b>35,396,413</b>	<b>28,055,324</b>

The movements in deferred income tax for the years ended 31 December 2019 and 2018 comprise the following:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
As at 1 January	28,055,324	28,299,759	28,055,324	28,299,759
Credited (charged) to the profit or loss (Note 27)	2,926,834	908,180	2,926,834	908,180
Credited (charged) to other				
comprehensive income	4,414,255	(1,152,615)	4,414,255	(1,152,615)
As at 31 December	35,396,413	28,055,324	35,396,413	28,055,324

## 18 Deferred income taxes (net) (Cont'd)

Deferred income tax charged in the statement of comprehensive income are attributable to the following items:

	Consolidated financial statements						
	1 January 2018 Baht	Credited (charged) to the profit or loss Baht	Credited (charged) to other comprehensive income Baht	31 December 2018 Baht	Credited (charged) to the profit or loss Baht	Credited (charged) to other comprehensive income Baht	31 December 2019 Baht
Deferred income tax							
Deferred tax assets							
Accrued expense	1,207,306	(1,207,306)	-	-	-	-	-
Allowance for doubtful accounts	21,543,073	1,111,414	-	22,654,487	153,975	-	22,808,462
Allowance for obsolete and defective	1,709,364	477,911	-	2,187,275	643,724	-	2,830,999
Allowance for actual cost in excess of							
net realisable value	19,007	(17,174)	-	1,833	98,502	-	100,335
Allowance for unclaim duties	152,899	(100,654)	-	52,245	(29,922)	-	22,323
Employee benefit obligation	6,307,879	823,281	(1,152,615)	5,978,545	2,376,755	4,414,255	12,769,555
	30,939,528	1,087,472	(1,152,615)	30,874,385	3,243,034	4,414,255	38,531,674
Deferred tax liabilities							
Difference of depreciation between tax based							
and accounting based	(2,639,769)	(179,292)	-	(2,819,061)	(316,200)	-	(3,135,261)
	(2,639,769)	(179,292)	-	(2,819,061)	(316,200)	-	(3,135,261)
Deferred income tax (net)	28,299,759	908,180	(1,152,615)	28,055,324	2,926,834	4,414,255	35,396,413

## 18 Deferred income taxes (net) (Cont'd)

Deferred income tax charged in the statement of comprehensive income are attributable to the following items: (Cont'd)

	Separate financial statements						
	1 January 2018 Baht	Credited (charged) to the profit or loss Baht	Credited (charged) to other comprehensive income Baht	31 December 2018 Baht	Credited (charged) to the profit or loss Baht	Credited (charged) to other comprehensive income Baht	31 December 2019 Baht
Deferred income tax							
Deferred tax assets							
Accrued expense	1,207,306	(1,207,306)	-	-	-	-	-
Allowance for doubtful accounts	21,543,073	1,111,414	-	22,654,487	153,975	-	22,808,462
Allowance for obsolete and defective	1,709,364	477,911	-	2,187,275	643,724	-	2,830,999
Allowance for actual cost in excess of net realisable value	19,007	(17,174)	-	1,833	98,502	-	100,335
Allowance for unclaim duties	152,899	(100,654)	-	52,245	(29,922)	-	22,323
Employee benefit obligation	6,307,879	823,281	(1,152,615)	5,978,545	2,376,755	4,414,255	12,769,555
	30,939,528	1,087,472	(1,152,615)	30,874,385	3,243,034	4,414,255	38,531,674
Deferred tax liability							
Difference of depreciation between tax based and accounting based	(2,639,769)	(179,292)	-	(2,819,061)	(316,200)	-	(3,135,261)
	(2,639,769)	(179,292)	-	(2,819,061)	(316,200)	-	(3,135,261)
Deferred income tax (net)	28,299,759	908,180	(1,152,615)	28,055,324	2,926,834	4,414,255	35,396,413

## 19 Borrowings

Borrowings as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Current</b>				
Current portion of long-term borrowings				
Borrowings from financial institution	146,702,300	-	146,702,300	-
Finance lease liabilities	345,889	324,338	345,889	324,338
Total current borrowings	147,048,189	324,338	147,048,189	324,338
<b>Non-current</b>				
Borrowings from financial institution	-	145,324,701	-	145,324,701
Finance lease liabilities	1,145,773	1,491,662	1,145,773	1,491,662
Total non-current borrowings	1,145,773	146,816,363	1,145,773	146,816,363
Total borrowings	148,193,962	147,140,701	148,193,962	147,140,701

As at 31 December 2019, long-term loans from financial institution with credit facilities amounting to Baht 1,000 million with bear interest rate in the first 2 years equivalent to MLR - 3.725 or 3.30% per annum and the third year onwards equivalent to MLR -3.525 (2018: MLR - 3.725 or 3.30% per annum).

As at 31 December 2019, the Group utilised the credit facilities amounting to Baht 146.70 million. These long-term loans are due for repayment within December 2020 and secured by land located of factory 3 including construction building and machinery under installation of the factory 3.

The effective interest rates at the statement of financial position date were as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Borrowings from financial institution	3.30%	3.30%	3.30%	3.30%
Finance lease liabilities	6.45%	6.45%	6.45%	6.45%

## 19 Borrowings (Cont'd)

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Maturity of long-term borrowings:</b>				
Between 1 and 2 years	146,702,300	-	146,702,300	-
Between 2 years and 5 years	-	145,324,701	-	145,324,701
Total long-term borrowings	146,702,300	145,324,701	146,702,300	145,324,701
<b>Minimum lease payments of finance lease liabilities:</b>				
Not later than one year	432,000	432,000	432,000	432,000
Later than 1 year but not later than 5 years	1,260,000	1,692,000	1,260,000	1,692,000
	1,692,000	2,124,000	1,692,000	2,124,000
<u>Less</u> Future finance charges on finance leases	200,338	308,000	200,338	308,000
Present value of finance lease liabilities	1,491,662	1,816,000	1,491,662	1,816,000
<b>Finance lease liabilities:</b>				
- Current	345,889	324,338	345,889	324,338
- Non-current	1,145,773	1,491,662	1,145,773	1,491,662
	1,491,662	1,816,000	1,491,662	1,816,000
<b>Present value of finance lease liabilities:</b>				
Not later than one year	345,889	324,338	345,889	324,338
Later than 1 year but not later than 5 years	1,145,773	1,491,662	1,145,773	1,491,662
	1,491,662	1,816,000	1,491,662	1,816,000

## 20 Trade and other payables

Trade and other payables as at 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Trade accounts payable - others	259,510,680	186,600,568	259,510,680	186,600,568
- related parties (Note 30.3)	2,733,502	2,009,300	2,733,502	2,009,300
Other accounts payable - other	26,128,482	20,287,602	25,927,402	20,141,404
- related parties (Note 30.3)	5,013,189	6,353,921	5,716,556	6,353,921
Payables on fixed assets - others	35,960,967	17,643,523	35,960,967	17,643,523
- related parties (Note 30.3)	-	156,225	-	156,225
Accrued salary and bonus	71,006,991	57,397,212	71,006,991	57,397,212
Advance receipt from customers	13,617,084	10,158,225	13,617,084	10,158,225
Retention	12,324,502	6,978,605	12,324,502	6,978,605
Accrued expenses	25,670,316	16,685,148	25,141,454	16,144,731
Total trade and other payables	451,965,713	324,270,329	451,939,138	323,583,714

## 21 Employee benefit obligations

The amount recognised in the statement of financial position is determined as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Statement of financial position:				
Retirement benefits	63,847,772	31,786,453	63,847,772	31,786,453
Liability in the statement of financial position	63,847,772	31,786,453	63,847,772	31,786,453
Profit or loss charge included in operating profit for:				
Retirement benefits	13,915,001	5,480,322	13,915,001	5,480,322
Remeasurement for:				
Retirement benefits	22,071,275	(5,763,077)	22,071,275	(5,763,077)

### Retirement benefits

The plans are final salary retirement plans. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The movements of the employee benefit obligations for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
At 1 January	31,786,453	32,849,931	31,786,453	32,849,931
Current service cost	4,509,208	5,480,322	4,509,208	5,480,322
Past service cost	9,405,793	-	9,405,793	-
	45,701,454	38,330,253	45,701,454	38,330,253
Remeasurements:				
(Gain) loss from change in financial assumptions	22,071,275	(5,763,077)	22,071,275	(5,763,077)
	22,071,275	(5,763,077)	22,071,275	(5,763,077)
	67,772,729	32,567,176	67,772,729	32,567,176
Payment from plans				
Benefit payment	(3,924,957)	(780,723)	(3,924,957)	(780,723)
At 31 December	63,847,772	31,786,453	63,847,772	31,786,453

On 5 April 2019, an amendment bill to the Labour Protection Act was published in the Government Gazette. The amended law will become effective 30 days after its publication. The main amendment is that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The effects of the amendment have been recorded as past service cost during the year amounting to Baht 9.41 million.

During 2019, the discount rate which was the principal actuarial assumption for employee benefit obligations decreased due to significant change in interest rate on government bond and resulted to increase in the employee benefit obligations in the consolidated and separate financial statements as at 31 December 2019 by Baht 7.71 million.

As at 31 December 2019, discount rate was 1.80% (2018: 2.72% - 3.02%).

## 21 Employee benefit obligations (Cont'd)

## Retirement benefits (Cont'd)

The significant actuarial assumptions used were as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Discount rate	1.80	3.02	1.80	3.02
Inflation rate	2.75	2.75	2.75	2.75
Salary growth rate	5	5	5	5

Sensitivity analysis for each significant assumption used is as follows:

	Consolidated financial statements					
	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2019	2018	2019	2018	2019	2018
Discount rate	1%	1%	Decrease by 10.86%	Decrease by 9.58%	Increase by 12.77%	Increase by 11.13%
Salary growth rate	1%	1%	Increase by 9.13%	Increase by 9.46%	Decrease by 7.93%	Decrease by 8.32%

	Separate financial statements					
	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2019	2018	2019	2018	2019	2018
Discount rate	1%	1%	Decrease by 10.86%	Decrease by 9.58%	Increase by 12.77%	Increase by 11.13%
Salary growth rate	1%	1%	Increase by 9.13%	Increase by 9.46%	Decrease by 7.93%	Decrease by 8.32%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the retirement benefits recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## 22 Share capital and premium on share capital

The movement of share capital and premium on share capital for the years ended 31 December 2019 and 2018 comprise the following:

	Number of Shares Shares	Ordinary Shares Baht	Share Premium Baht	Surplus on Treasury Shares Baht	Total Baht
At 1 January 2018	658,434,300	658,434,300	222,105,000	7,429,904	887,969,204
Issue of shares	-	-	-	-	-
At 31 December 2018	658,434,300	658,434,300	222,105,000	7,429,904	887,969,204
Issue of shares	-	-	-	-	-
At 31 December 2019	658,434,300	658,434,300	222,105,000	7,429,904	887,969,204

As at 31 December 2019 and 2018, the total authorised number ordinary shares are 658,434,300 shares with a par value of Baht 1 per share. All issued shares are fully paid-up.

## 23 Legal reserve

The movement of the legal reserve for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
At 1 January	65,843,430	65,843,430	65,843,430	65,843,430
Appropriation during the year	-	-	-	-
At 31 December	65,843,430	65,843,430	65,843,430	65,843,430

Under the Public Limited Company Act., B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital. The legal reserve is non-distributable.

## 24 Promotional privileges

As at 31 December 2019 and 2018, the outstanding unexpired promotional privileges comprise the following:

BOI certificate	Date of Approval	Products	Income first derived date	Exemptional payment of corporate income tax privileges	Significant privileges*				
					1	2	3	4	5
2315(1)/2555	11 September 2012	Motorcycle tire	1 October 2515	30 September 2028	✓	✓	✓	-	✓
61-0293-1-00-1-0	13 March 2018	Bicycle tire and bicycle tube	1 October 2019	30 September 2027	✓	-	-	✓	✓

\* Significant privileges

- 1) Exemption from payment of import duty on machinery approved by the Board;
- 2) 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
- 3) 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 (2) above.
- 4) Exemption from payment of corporate income tax totally not in excess of 100% of the investment amount excluding cost of land and working capital. This privilege is due for expiration within a period of 8 years from the date of income is firstly derived.
- 5) Exemption from including the dividend income received from exemptional income tax entity as taxable income in corporate income tax calculation throughout the period of income tax exemption of the Company.

**24 Promotional privileges (Cont'd)**

In addition, the Group must comply with certain conditions and restrictions provided in the promotional certificates.

The Group has the revenue for the years ended 31 December 2019 and 2018 which is classified as revenue under corporate income tax exemption and non-corporate income tax exemption as follows:

	Consolidated financial statements					
	2019			2018		
	BOI	NON-BOI	Total	BOI	NON-BOI	Total
	Baht	Baht	Baht	Baht	Baht	Baht
Export sales	188,394,039	1,732,253,282	1,920,647,321	114,269,972	1,653,406,997	1,767,676,969
Domestic sales	244,533,930	571,505,548	816,039,478	199,464,193	588,336,944	787,801,137
Total	432,927,969	2,303,758,830	2,736,686,799	313,734,165	2,241,743,941	2,555,478,106

	Separate financial statements					
	2019			2018		
	BOI	NON-BOI	Total	BOI	NON-BOI	Total
	Baht	Baht	Baht	Baht	Baht	Baht
Export sales	188,394,039	1,722,072,560	1,910,466,599	114,269,972	1,637,830,054	1,752,100,026
Domestic sales	244,533,930	570,093,035	814,626,965	199,464,193	587,417,775	786,881,968
Total	432,927,969	2,292,165,595	2,725,093,564	313,734,165	2,225,247,829	2,538,981,994

**25 Other income**

Other income for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Interest income	6,365,327	4,940,346	6,198,359	4,842,179
Rental income	-	36,000	120,000	156,000
Gain on sales of assets	2,083,019	5,094,831	2,083,019	5,094,831
Others	3,803,765	5,493,772	3,898,962	5,363,102
Total other income	12,252,111	15,564,949	12,300,340	15,456,112

**26 Expense by nature**

The following significant expenditures, classified by nature for the years ended 31 December 2019 and 2018, have been charged in arriving at profit (loss) before finance costs and income tax:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Changes in inventories of finished goods and work in process	(53,126,287)	(14,553,661)	(49,625,293)	(14,051,568)
Raw material and consumables used	1,312,831,799	1,280,598,527	1,312,831,799	1,280,598,527
Employee benefit expense	540,539,376	479,724,422	540,539,376	479,724,422
Depreciation and amortisation	95,065,275	84,836,724	95,059,776	84,831,224
Transportation expense	43,741,084	44,950,706	43,694,974	44,876,766
Utility expense	179,681,738	173,355,340	179,681,738	173,355,340
Packing expense	80,723,385	70,121,779	80,723,385	70,121,779
Repair and maintenance expense	41,247,442	39,030,669	41,247,442	39,030,669
Other expenses	151,180,992	145,200,559	135,046,814	125,963,910
Total	2,391,884,804	2,303,265,065	2,379,200,011	2,284,451,069

## 27 Income tax expense

Income tax expenses for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Current tax:				
Current tax on profits for the years	61,624,169	50,772,668	61,624,169	50,666,766
Adjustments in respect of prior year	1,138,391	(114,454)	1,138,391	(114,454)
<b>Total current tax</b>	<b>62,762,560</b>	<b>50,658,214</b>	<b>62,762,560</b>	<b>50,552,312</b>
Deferred tax:				
(Increase) decrease in deferred tax assets (Note 18)	(3,243,034)	(1,087,472)	(3,243,034)	(1,087,472)
Increase (decrease) in deferred tax liability (Note 18)	316,200	179,292	316,200	179,292
<b>Total deferred tax</b>	<b>(2,926,834)</b>	<b>(908,180)</b>	<b>(2,926,834)</b>	<b>(908,180)</b>
<b>Income tax expense</b>	<b>59,835,726</b>	<b>49,750,034</b>	<b>59,835,726</b>	<b>49,644,132</b>
Income tax expense attributable to:				
Profit from continuing operation	59,835,726	49,750,034	59,835,726	49,644,132
	59,835,726	49,750,034	59,835,726	49,644,132

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Baht	Baht	Baht	Baht
Profit before tax	338,672,361	273,459,087	342,330,007	268,728,825
Tax calculated at a tax rate of 20% (2018 : 20%)	67,734,472	54,691,817	68,466,001	53,745,765
Tax effect of:				
Profit under BOI certificate subject to exempt income tax	(8,448,695)	(3,605,781)	(8,448,695)	(3,605,781)
Expenses not deducted for tax purpose	3,412,143	2,138,243	3,412,143	2,138,243
Income not subject to tax and expenses additionally deductible for tax purpose	(1,807,347)	(1,954,701)	(1,805,280)	(1,611,461)
Difference in overseas tax rate	-	(238,439)	-	-
Utilisation of previously unrecognised tax losses	(91,014)	(258,471)	-	-
Tax losses of subsidiary for which no deferred income tax asset was recognised	824,610	-	-	-
Adjustment in respect of prior year	1,138,391	(114,454)	1,138,391	(114,454)
<b>Income tax</b>	<b>62,762,560</b>	<b>50,658,214</b>	<b>62,762,560</b>	<b>50,552,312</b>

## 28 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share for the years ended 31 December 2019 and 2018 comprise the following:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Basic earnings per share</b>				
Net profit attributable to ordinary shareholders (Baht)	278,836,635	223,709,053	282,494,281	219,084,693
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (Share)	658,434,300	658,434,300	658,434,300	658,434,300
Basic earnings per share attributable to the ordinary equity holders of the Company (Baht)	0.42	0.34	0.43	0.33

There are no potential dilutive ordinary shares in issue for during 2019 and 2018.

## 29 Dividends per share

At the Annual General Meeting No. 1/2019 on 25 April 2019, the shareholders approved the payment of annual dividend from net profit for year 2018 at Baht 0.15 per share, totalling Baht 98,765,145.

At the Annual General Meeting No. 1/2018 on 20 April 2018, the shareholders approved the payment of annual dividend from net profit for year 2017 at Baht 0.20 per share, totalling Baht 131,686,860.

## 30 Related party transactions

### 30.1) The Company and related parties

As at 31 December 2019, the majority of the Company's shares are held by Hwa Fong Rubber Industries Co., Ltd. by 50.42% (2018 : 50.42%) of the Company's authorised share capital. The significant investments in subsidiaries are set out in Note 13.

The relationships between the Company and related parties that are transacted with are the following:

Company name	Country of incorporation	Relationship
Sumitomo Rubber Industries Limited	Japan	Shareholding in Parent
Hwa Fong Rubber Industries Co., Ltd.	Taiwan	Parent
HFT Holding Co., Ltd.	Thailand	Subsidiary
PT. Hwa Fong Rubber Indonesia	Indonesia	Subsidiary
The Ascent (Thailand) Co., Ltd.	Thailand	Associate
Chital International Trading Co., Ltd.	Taiwan	Associate (dissolve)
Hwa Fong Rubber (U.S.A.) Inc.	United States of America	Subsidiary of Parent
Hwa Zhong (B.V.I.) Holding Corp.	British Virgin Island	Subsidiary of Parent
HFR Holding Corp.	China	Subsidiary of Parent
Hwa Fong Rubber (Hong Kong) Ltd.	Hong Kong	Subsidiary of Parent
Hwa Fong Rubber (Singapore) Holding PTE Ltd.	Singapore	Subsidiary of Parent
Sino Hwa Fong Enterprise Co., Ltd.	Taiwan	Subsidiary of Parent
Sino Hwa Fong Biotechnology Co., Ltd.	Taiwan	Subsidiary of Parent
Hwa Fong Rubber (China) Co., Ltd.	China	Subsidiary of Parent
Hwa Fong Distribution Co., Ltd.	Taiwan	Subsidiary of Parent
Hwa Fong Rubber (Suzhou) Co., Ltd.	China	Indirect subsidiary of Parent

**30 Related party transactions (Cont'd)****30.2) Transactions with related parties**

Transactions with related parties are as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>		<b>Pricing policies</b>
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>	
<b>Sales of goods and services</b>					
Parent	8,427,801	11,009,099	8,427,801	11,009,099	Market price
Associates	-	904,004	-	904,004	Market price
Other related parties					
- Subsidiaries of parent	64,715,595	70,821,185	64,715,595	70,821,185	Market price
- Shareholding in parent	80,113,758	74,254,277	80,113,758	74,254,277	Market price
<b>Purchases of raw material</b>					
Parent	14,113,698	11,740,416	14,113,698	11,740,416	Market price
Other related parties					
- Shareholding in parent	-	4,476	-	4,476	Market price
<b>Purchases of spare parts and equipment</b>					
Parent	4,524,381	6,905,416	4,524,381	6,905,416	Market price
Other related parties					
- Subsidiaries of parent	3,501,718	854,632	3,501,718	854,632	Market price
<b>Purchases of machinery</b>					
Other related parties					
- Subsidiaries of parent	4,966,862	-	4,966,862	-	Contractual price
- Subsidiaries of parent Holdings	17,178,023	-	17,178,023	-	Contractual price
<b>Technical assistance fee</b>					
Parent	6,392,881	4,892,946	6,392,881	4,892,946	Contractual price
<b>Trademark fee</b>					
Parent	6,009,788	5,774,491	6,009,788	5,774,491	Contractual price
Other related parties					
- Shareholding in parent	2,007,730	2,492,791	2,007,730	2,492,791	Contractual price
<b>Trade pattern right fee</b>					
Parent	-	1,138,882	-	1,138,882	Contractual price

**30 Related party transactions (Cont'd)****30.2) Transactions with related parties (Cont'd)**

Transactions with related parties are as follows: (Cont'd)

	Consolidated financial statements		Separate financial statements		Pricing policies
	2019 Baht	2018 Baht	2019 Baht	2018 Baht	
<b>Other income</b>					
Parent	-	131,796	-	131,796	Market price
Subsidiaries	-	-	217,630	120,000	Contractual price
Associates	-	36,000	-	36,000	Contractual price
<b>Other expense</b>					
Parent	2,809,517	3,660,824	2,809,517	3,660,824	Market price
Subsidiaries	-	-	1,392,482	-	Market price
Associates	-	48,408	-	48,408	Market price
Other related parties					
- Subsidiaries of parent	838,406	52,237	838,406	52,237	Market price
- Shareholding in parent	110,113	9,138	110,113	9,138	Market price

Sales to Hwa Fong Rubber Industries Co., Ltd., Hwa Fong Rubber (China) Co., Ltd., Hwa Fong Rubber (Hong Kong) Ltd., Hwa Fong Rubber (U.S.A.) Inc. and Sumitomo Rubber Industries Limited were carried out on commercial terms and conditions and at market prices.

**30.3) Outstanding balances arising from sales and purchases of goods and services**

The outstanding balances as at 31 December 2019 and 2018 in relation to transactions with related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
<b>Trade accounts receivable</b>				
Parent	1,200,800	2,426,388	1,200,800	2,426,388
Other related parties				
- Subsidiaries of parent	12,718,036	23,338,568	12,718,036	23,338,568
- Shareholding in parent	3,600,866	3,204,436	3,600,866	3,204,436
Total	17,519,702	28,969,392	17,519,702	28,969,392
<b>Other accounts receivable</b>				
Parent	-	296,575	-	296,575
Subsidiaries	-	-	644,078	-
Total	-	296,575	644,078	296,575
<b>Trade accounts payable</b>				
Parent	2,733,502	2,009,300	2,733,502	2,009,300
<b>Other accounts payable</b>				
Parent	3,959,751	3,992,312	3,959,751	3,992,312
Subsidiaries	-	-	703,367	-
Other related parties				
- Subsidiaries of parent	16,015	1,231,994	16,015	1,231,994
- Shareholding in parent	1,037,423	1,285,840	1,037,423	1,285,840
Total	5,013,189	6,510,146	5,716,556	6,510,146

**30 Related party transactions (Cont'd)****30.4) Key management compensation**

Key management includes director, secretary, accounting and finance manager. The compensation paid or payable to key management are as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Salaries and other short-term employee benefits	10,531,867	13,272,328	10,531,867	13,272,328
Post-employment benefits	203,021	148,606	203,021	148,606
Total	10,734,888	13,420,934	10,734,888	13,420,934

**31 Bank guarantee**

As at 31 December 2019 and 2018, the Group had commitments in respect of bank guarantee issued by the domestic commercial banks as following:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Electricity usage	2,919,500	12,803,600	2,919,500	12,803,600
Others	9,888,067	9,888,067	9,888,067	9,888,067

**32 Commitments****32.1) Capital expenditure commitments**

As at 31 December 2019 and 2018, the Group had commitments which are capital expenditure contracted but not recognised as liabilities as follows:

	Consolidated financial statements		Separate financial statements	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Property, plant and equipment	252,130,896	110,003,626	252,130,896	110,003,626

**32 Commitments (Cont'd)****32.2) Non-cancellable operating leases - where a Group is the lessee**

The Group leases service agreement in respect of service of copier, internet, security and others under non-cancellable operating lease agreement expiring within 1 to 5 years, and the majority of the leases are renewable at the end of the lease period at market rate.

As at 31 December 2019 and 2018, the Group had minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
Within 1 year	1,925,805	2,324,104	1,925,805	2,324,104
Later than 1 year but not later than 5 years	890,595	314,054	890,595	314,054
<b>Total</b>	<b>2,816,400</b>	<b>2,638,158</b>	<b>2,816,400</b>	<b>2,638,158</b>

**32.3) Other commitment(Cont'd)**

As at 31 December 2019 and 2018, the Group had commitments but not recognized as liabilities as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2019 Baht</b>	<b>2018 Baht</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
Purchase orders for raw materials	217,585,720	192,167,127	217,585,720	192,167,127

**33 Events occurring after the reporting period**

At the Board of Directors' meeting no. 1/2020, held on 27 February 2020, it passed a resolution to approve the appropriation of dividends of Baht 0.13 per share, totaling of Baht 85,596,459. The dividends will be paid to the shareholders within 10 June 2020 after approved by shareholder at the Annual General Meeting of Shareholders of the Company.

## 34 Reclassification correction of errors

## 34.1 Reclassification

During the year, the Group has reclassified the presentation of comparative figures in order to conform with the current year presentation. The effect of the reclassification to the statement of financial position as at 31 December 2018 and the statement of comprehensive income for the year ended 31 December 2018 are presented as follows:

	Consolidated financial statements		
	As previously reported Baht	Reclassification Baht	After reclassification Baht
<b>Statements of financial position as at 31 December 2018</b>			
<b>Assets</b>			
<b>Current assets</b>			
Trade accounts receivable	508,833,710	(508,833,710)	-
Other current receivables	27,052,642	(27,052,642)	-
Trade and other receivables (net)	-	535,886,352	535,886,352
<b>Non-current assets</b>			
Property, plant and equipment (net)	1,271,259,939	(1,611,935)	1,269,648,004
Intangible assets (net)	-	1,611,935	1,611,935
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade accounts payable	161,524,823	(161,524,823)	-
Other current payables	102,048,156	(102,048,156)	-
Accrued expenses	60,252,493	(60,252,493)	-
Trade and other payables	-	324,270,329	324,270,329
Current portion of long-term liabilities	769,195	(769,195)	-
Current portion of finance lease liabilities	-	324,338	324,338
<b>Non-current liabilities</b>			
Long-term loans	146,816,363	(146,816,363)	-
Long-term loan from financial institution	-	145,324,701	145,324,701
Finance lease liabilities	-	1,491,662	1,491,662
<b>Statements of comprehensive income for the year ended 31 December 2018</b>			
<b>Expenses</b>			
Cost of goods sold and services	(2,050,575,064)	(88,098,031)	(2,138,673,095)
Selling expenses	(187,849,545)	88,098,031	(99,751,514)

**34 Reclassification correction of errors (Cont'd)****34.1 Reclassification (Cont'd)**

During the year, the Group has reclassified the presentation of comparative figures in order to conform with the current year presentation. The effect of the reclassification to the statement of financial position as at 31 December 2018 and the statement of comprehensive income for the year ended 31 December 2018 are presented as follows: (Cont'd)

	Separate financial statements		
	As previously reported Baht	Reclassification Baht	After reclassification Baht
<b>Statements of financial position as at 31 December 2018</b>			
<b>Assets</b>			
<b>Current assets</b>			
Trade account receivables	506,815,545	(506,815,545)	-
Other current receivables	30,698,612	(30,698,612)	-
Trade and other receivables (net)	-	537,514,157	537,514,157
<b>Non-current assets</b>			
Property, plant and equipment (net)	1,271,230,631	(1,582,627)	1,269,648,004
Intangible assets (net)	-	1,582,627	1,582,627
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade account payables	161,524,823	(161,524,823)	-
Other current payables	101,901,958	(101,901,958)	-
Accrued expenses	59,712,076	(59,712,076)	-
Trade and other payables	-	323,583,714	323,583,714
Current portion of long-term liabilities	769,195	(769,195)	-
Current portion of finance lease liabilities	-	324,338	324,338
<b>Non-current liabilities</b>			
Long-term loans	146,816,363	(146,816,363)	-
Long-term loan from financial institution	-	145,324,701	145,324,701
Finance lease liabilities	-	1,491,662	1,491,662
<b>Statements of comprehensive income for the year ended 31 December 2018</b>			
<b>Expenses</b>			
Cost of goods sold and services	(2,035,312,999)	(88,098,031)	(2,123,411,030)
Selling expenses	(187,705,013)	88,098,031	(99,606,982)

**34 Reclassification correction of errors (Cont'd)****34.2 Correction of errors**

During the year ended 31 December 2019, the Group corrects an error related to the translation the results of operation and financial position of a subsidiary of Group whose have foreign functional currency into a presentation currency. The Company has corrected by applying retrospective adjustments.

The effects from correction of accounting error to the statement of financial position and other components of equity as at 31 December 2018 are summarised as follows:

	<b>Consolidated financial statements</b>		
	<b>As previously reported Baht</b>	<b>Increase (decrease) from correction of accounting error Baht</b>	<b>After adjustment Baht</b>
<b>Statements of financial position as at 31 December 2018</b>			
<b>Assets</b>			
Investment property (net)	246,125,197	(17,641,455)	228,483,742
<b>Other components of equity</b>			
Currency translation differences	33,041,859	17,641,455	50,683,314
<b>Statements of comprehensive income for the year ended 31 December 2018</b>			
<b>Other comprehensive income (loss)</b>			
Currency translation differences	(5,884,850)	(17,641,455)	(23,526,305)
<b>Total comprehensive income attributable to Equity holders of the owner's parent</b>			
	(207,928,423)	(17,641,455)	(190,286,968)



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



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