

# ***ECF***

**Information Memorandum on the Acquisition of Assets**

**Re : The purchase of shares in**

**Green Earth Power (Thailand) Co.,Ltd.**

**to jointly invest in proportion of 20 percent of solar power plant 220 MW  
in Minbu, the Republic of the Union of Myanmar**

**To Propose The Shareholders To Be Informed On The Acquisition Of  
Assets**

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**-Translation-**

**Information Memorandum on the Acquisition of Assets**

**Re : The purchase of shares in Green Earth Power (Thailand) Co.,Ltd. to jointly invest in proportion of  
20 percent of solar power plant 220 MW in Minbu, the Republic of the Union of Myanmar**

Reference is made to the fact that the Board of Directors' Meeting No. 6/2017 of East Coast Furnitech Public Company Limited (**the "Company" or "ECF"**) which was convened on 3 April 2017 has resolved to approve ECF Power Company Ltd. ("ECF-Power"), in which the Company herein holding a proportion of 99.99 percent in this subsidiary, of entering into the asset acquisition transaction by means of acquiring 20.00 percent of the total issued shares of Green Earth Power (Thailand) Co.,Ltd. ("**GEP**") from Noble Planet Pte. Ltd. and Planet Energy Holdings Pte. Ltd. (collectively referred as **the "Sellers"**). In this regard, there were procedures, conditions precedent and conditions subsequent under the draft share purchase agreement dated 3 April 2017 to which each party are required to comply, as detailed in Clause 3.1 and 3.3 Summary of the Draft of Share Purchase Agreement dated 3 April 2017. In addition, all shareholders in GEP including ECF-Power and the sellers will enter into the shareholders' agreement to agree on the relationship between each shareholder in GEP, key details of which are set out in Clause 3.4 Key summary of the Draft of Shareholders' Agreement dated 3 April 2017.

Furthermore, the Board of Directors' Meeting has resolved to propose that the shareholders' meeting further consider the asset acquisition transaction.

In this regard, the entering in to such transaction constitutes and asset acquisition transaction subject to the Notification of the Capital Market Supervisory Board No.TorChor. 20/2551 Re : Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets (as amended), and the Notification of the Board of Governors of the Stock Exchange of Thailand Re : Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposal of Assets, 2004 (as amended) (collectively, the "**Notifications on Acquisition or Disposal**"), having the highest transaction value equivalent to 50.80 percent of the total assets of the Company and its subsidiaries combined together, whereby the transaction value was calculated based on the Consolidate Financial Statements of the Company ending 31 December 2016 (calculated based on the total value of consideration basis pursuant to the Notifications on Acquisition or Disposal). Furthermore, when taking into account other acquisition transactions in the past six months prior to this transaction, the combined transaction amount to 57.91 percent of the total assets of the Company. The transaction, therefore, is classified as Type 1 Transaction pursuant to the Notifications on Acquisition with the transaction value equivalent to 50 percent or more but less than 100 percent.

The Company, therefore, has the duty to prepare a report and disclose the information memorandum on such transaction to submit to the Stock Exchange of Thailand (the "**Stock Exchange**"), as well as to convene the shareholders' meeting in order to seek approval on entering into the transaction, provided that

the approval must be granted with the vote of no less than three-quarters of the total votes cast by the shareholders attending the meeting and eligible to vote, without counting the votes cast by the interested shareholders. In this regard, the Company will deliver to the shareholders the notice convening the shareholders' meeting with the information memorandum as required by the Notifications on Acquisition or Disposal and the opinions of the independent financial advisor, in advance within the period of 14 days prior to the date of the shareholders' meeting. The Board of Directors' Meeting No. 6/2017 which was convened on 3 April 2017 has resolved to propose that the shareholders' meeting consider and approve the entering into such transaction, whereby the No.1/2017 Extraordinary General Shareholder Meeting ("**EGM**") will be convened on 31 May 2017 to consider and approve the entering into such transaction.

The Company would like to disclose the information memorandum on the entering into such transaction as follows:

**(1) Transaction Date :**

ECF-Power will purchase ordinary shares of GEP from Noble Plant Pte. Ltd. and Planet Energy Holdings Pte. Ltd. and will make payment to GEP in cash, after No.1/2017 Extraordinary General Shareholder Meeting which will be convened on 31 May 2017 resolves to approve the entering into the asset acquisition transaction and after conditions precedent specified under the draft share purchase agreement dated 31 March 2017 to be entered into by and between the Company and the sellers are satisfied. In this regard, the Company expected that the transaction should be completed within the second quarter of 2017.

**(2) Related Parties and Their Relationship with the Listed Company :**

Seller	: Noble Planet Pte. Ltd. and Planet Energy Holdings Pte. Ltd. as the sellers, where by each of the sellers has Mr.Aung Thiha and Mr.Supasit Pokinjaruras as the ultimate major shareholder, holding 50% of shares each.
Purchaser	: ECF Power Company Limited as the subsidiary of the Company
Relationship with the listed company	: The Company and ECF-Power have no any prior relationships between each other.

**Information of Green Earth Power (Thailand) Co.,Ltd. ("**GEP**") :**

GEP was incorporated on 30 April 1985, registered number 0105528015200 with its principal office locating at No. 63 Athenee Tower, 30<sup>th</sup> Floor suite 3006, Wireless Road, Lumpini Subdistrict, Pathum Wan District, Bangkok, having the paid-up registered capital of Baht 25,755,800, divided into 257,558 ordinary shares, with the par value of Baht 100 per share. GEP is a holding company, having the core objective to invest into companies which engage in the business of development and

management of power plant project from alternative energy. Currently, GEP is planning to construct and develop the solar power plant project with the installed capacity of 220 MW in Myanmar ("**Solar power plant 220MW**") which has the total investment value of USD 292.62 million or equivalent to Baht 10,080.76 million at the exchange rate of Baht 34.45 per USD which is referred from weighted-average exchange rate between the financial substitutions according to the notice of Bank of Thailand ("**The exchange rate of BOT**") as of 31 March 2017.

At present, GEP owns one subsidiary named GEP (Myanmar) Co., Ltd. ("**GEP-Myanmar**") that only holds shares in GEP-Myanmar and does not hold share in any other company. GEP-Myanmar was incorporated in 16 February 2016 under Myanmar Companies Act. The principal office is located at Suite 213, 2<sup>nd</sup> floor, Peral Condo, Kabar Aye Pagoda Road, Bahan Township Yangon, Myanmar, having the registered capital of USD 500 million (equivalent to Baht 17,725 million at the exchange rate of BOT), divided into 500,000,000 ordinary shares, with the par value of USD 1 per share. Currently, the paid-up registered capital is USD 3.365 million (equivalent to THB 119.29 million at the exchange rate of BOT). GEP has 100 percent of the paid-up registered capital in GEP-Myanmar and business's objective is to develop and operate the solar power plant in Myanmar with the installed capacity of 220 MW and contracted capacity of 170 MW.

Subsequently, on 20 March 2016, GEP-MYANMAR has entered into the Power Purchase Agreement ("**PPA**") with Electric Power Generation Enterprise ("**EPGE**"), which was formerly known as Myanmar Electric Power Enterprise, and is under the Ministry of Electricity and Energy in Myanmar. The main purposes within the agreement are to develop, construct, seek for sources of funds, operate, maintain, and transfer the business. Meanwhile, EPGE agrees to purchase the electricity generated from solar power with the capacity of 220 MW which is located in Minbu, Magway Region, Myanmar or with the maximum amount of purchasing at 170 MW for 30 years since the commercial operation date ("**COD**") of phase 1 from total 4 phases (In the event that the project commences its COD of phase 1 within 1<sup>st</sup> quarter of the year 2018, the term of the PPA will end in the 1<sup>st</sup> quarter of the year 2048.) at USD 0.1275 per 1 unit of electricity. The purchasing will be done throughout the contract period of PPA, in which the PPA can be extended. The purchase of electricity is divided into 4 phases based on the maximum electricity generated in each phase as follows:

Phase 1: Maximum purchase of 40 MW from the capacity of 50 MW

Phase 2: Maximum purchase of 80 MW from the capacity of 100 MW

Phase 3: Maximum purchase of 120 MW from the capacity of 150 MW

Phase 4: Maximum purchase of 170 MW from the capacity of 220 MW

In this regard, after starting commercial operation date ("**COD**") for phase 1, the next phase will be expected to start COD within every 360 days until completion all of 4 phases.

The condition of termination is to if GEP-Myanmar fails to comply with any provision under the PPA within a period of 90 days (except the non-compliance in relation to the COD, such period shall be

extended to 240 days), EPGE may give a notice in writing to GEP-Myanmar to remedy such default. If GEP-Myanmar fails to remedy within the specified period, EPGE may terminate the PPA. Currently, GEP-Myanmar has not breached any provision under the PPA and has not received any notice notifying the breach of the PPA from EPGE.

However, before the construction of the power plant, GEP and GEP-MYANMAR shall enter into a number of relating agreements and obtain permits from the government or relevant agencies namely 700 acres long-term land lease agreement from AVA Capital Trading Limited and land lease from the Ministry of Natural Resources and Environmental and Conservation, Myanmar 136 acres and also relating permits before the construction process of the solar power plant regarding the rules and obligations of Myanmar. Furthermore, since 12 April 2017, GEP-Myanmar has already obtained permit from Myanmar Investment Commission (MIC permit).

GEP and GEP-Myanmar expect to enter into the long term land lease agreement and also obtain all relevant permit regarding the project development of 220 MW solar power plant within 2<sup>nd</sup> quarter of 2017 including commence the commercial operation date within 1<sup>st</sup> quarter of 2018.

However, the directors and shareholders of GEP possess knowledge and experience in connection with the power generation and energy business, as well as experience in developing businesses in relation to the solar power plant project with the leading company in Japan.

#### **Current structure of the company**

GEP holds GEP-MYANMAR as the subsidiary, located in Myanmar to operate in the solar power plant business with the capacity of 220 MW. GEP has shareholding proportion of 100.00 percent in GEP-MYANMAR.

List of shareholders of GEP comparing between pre-transaction and post-transaction

Shareholders	Pre-transaction		Post-transaction	
	No. of Shares (Shares)	Shareholding Proportion per with Paid-up Capital (%)	No. of Shares (Shares)	Shareholding Proportion per with Paid-up Capital (%)
1. Noble Plant PTE. Ltd. (Singapore company)	103,022	40.00	136,504	53.00
2. Planet Energy Holding PTE. Ltd. (Singapore company)	123,628	48.00		
3. Vintage Engineering	30,908	12.00	30,908	12.00

Shareholders	Pre-transaction		Post-transaction	
	No. of Shares (Shares)	Shareholding Proportion per with Paid-up Capital (%)	No. of Shares (Shares)	Shareholding Proportion per with Paid-up Capital (%)
Public Company Ltd. (Thailand company) ("VTE")				
4. QTC Global Power Co.,Ltd. (Thailand company) ("QTCGP")	-	-	38,634	15.00
5. ECF-Power	-	-	51,512	20.00
<b>Total</b>	<b>257,558</b>	<b>100.00</b>	<b>257,558</b>	<b>100.00</b>

List of directors of GEP comparing between pre-transaction and post-transaction

Name	Pre-transaction	Post-transaction
1. Mr. Supasit Pokinjaruras (Thai nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2. Mr. Aung Thiha (Myanmar nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3. Mr. David Wiliam Yang (American nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4. Mr. Soraj Rojanabenjakul (Thai nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5. Mr. Foong Sai Kong (Malaysian nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6. Pol.Maj.Gen Mongkol Hrungerngjai (Thai nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7. Director from QTCGP	-	<input checked="" type="checkbox"/>
8. Director from ECF-Power		1 person
9. Director from ECF-Power		1 person

**Remark :** ECF-power will has the right to propose 2 new directors from total 9 directors of the new director structure after completion of share purchase.

#### Financial information

The material financial information of GEP for the audited Financial Statements ending 31 December 2014, 2015, and 2016 can be summarized as follows;

(Unit: Million Baht)

	31 Dec 14	31 Dec 15	31 Dec 16
<b>Statement of Financial Positions</b>			
<b>Assets</b>			
Cash and cash equivalent	1.09	39.93	19.83
Other receivables	0.14	1.97	173.33
Retention receivables under investment agreement	-	283.03	-
Other current assets	-	0.04	2.91
<b>Total current assets</b>	<b>1.24</b>	<b>324.97</b>	<b>196.07</b>
Long-term investment	-	-	107.01
Receivables under service concession agreement	-	-	224.71
Property, plant and equipment	0.05	40.98	6.54
Intangible assets	0.006	0.01	0.02
Other non-current assets	0.008	0.46	0.22
<b>Total non-current assets</b>	<b>0.06</b>	<b>41.46</b>	<b>338.50</b>
<b>Total assets</b>	<b>1.30</b>	<b>366.42</b>	<b>534.56</b>
<b>Liabilities and equity</b>			
Other payables	-	55.45	266.99
Short-term loan from related parties	-	-	35.00
Advance from related parties	49.79	-	-
Total current liabilities	49.79	55.45	301.99
Provision for long-term employee benefits	-	-	0.19
<b>Total Liabilities</b>	<b>49.79</b>	<b>55.45</b>	<b>302.18</b>
Issued and paid-up share capital	0.50	25.76	25.76
Premium on ordinary shares	-	364.62	364.62
Retained earnings (loss)	(48.99)	(79.40)	(159.82)
Other components of shareholder' equity	-	-	1.83
Shareholders' equity	(48.49)	310.97	232.38
Total liabilities and shareholders' equity	1.30	366.42	534.56
<b>Income Statement</b>			
Revenues from sales of electricity	-	-	-
Other revenues	-	0.17	224.51
Expenses	(48.61)	(30.59)	304.88
<b>Net profit (loss)</b>	<b>(48.61)</b>	<b>(30.41)</b>	<b>(80.37)</b>

Remarks:



- The Financial Statement of GEP was audited by KPMG Phoomchai Audit Co., Ltd.
- Currently, GEP does not have any commercial revenue and the project is on the construction process. However the revenue of Baht 224.51 million, which appeared in the income statement, was a result of the recognition of the same amounts of revenue and costs by GEP according to progress of the construction, which was in accordance with the accounting standards.
- The period of financial statements of GEP-Myanmar will end the first year as of March 31, 2014 so now GEP-Myanmar does not have the audited financial statements.

List of shareholders of GEP-Myanmar comparing between pre-transaction and post-transaction (The list of shareholders will not be changed post-transaction and GEP will remain holding 100 percent shares in GEP-Myanmar)

Shareholders	Pre-transaction		Post-transaction	
	No. of Shares (Shares)	Shareholding Proportion per with paid-up capital (%)	No. of Shares (Shares)	Shareholding Proportion per with paid-up capital (%)
1. GEP	3,364,999	100.00	3,364,999	100.00
2. Mr. Supasit Pokinjaruras	1	-	1	-
<b>Total</b>	<b>3,365,000</b>	<b>100.00</b>	<b>3,365,000</b>	<b>100.00</b>

List of directors of GEP-Myanmar comparing between pre-transaction and post-transaction (The list of directors in GEP-Myanmar post-transaction will be same as those in GEP post-transaction)

Name	Pre-transaction	Post-transaction
1. Mr. Supasit Pokinjaruras (Thai nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2. Mr. Aung Thia (Myanmar nationality)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3. – 9.		To appoint 7 additional new directors, provided that all directors in GEP-Myanmar will be the same as those in GEP, where ECF-Power will have the right to nominate 1 new director.



Financial information of GEP-Myanmar

Since GEP-Myanmar was just incorporated in 2016 and its fiscal year will end on 31 March 2017, the information of financial statements and results of operation are not available.

**(3) General Characteristics, Type of Transaction, and Transaction Value :****3.1 General characteristics of the transaction:**

ECF-Power, as the subsidiary of the Company, will acquire 51,512 shares at the par value of Baht 100 per share or equivalent to 20.00 percent of the total issued shares of GEP, totaling of USD 9 million or Baht 310.05 million at the exchange rate of BOT. Moreover the Company will be entitled to subscribe on a pro rata basis in the event of increase of registered capital in the future until the completion of construction of 4 phases of the project totaling USD 20.22 million or Baht 696.58 million at the exchange rate of BOT. Under the share purchase agreement the Company will also support cash deficiency support (“CDS”) on a pro rate basis not exceeding USD 5.54 million or Baht 190.85 million according to the exchange rate of BOT totaling USA 34.76 million or USD 1,197.48 million according to the exchange rate of BOT.

In addition, the transaction is under the conditions precedent specified under the draft share purchase agreement dated 3 April 2017 to be entered into by and between the Company and the sellers as follows:

(1)	GEP-Myanmar obtains the investment permit from Myanmar Investment Commission (MIC Permit) and other relevant approvals from the government of Myanmar. However, since 12 April 2017, GEP-Myanmar has already obtained permit from Myanmar Investment Commission (MIC permit);
(2)	GEP-Myanmar enters into the land sub-lease agreement with AVA Capital Trading Limited (AVE) for the land of 700 acres which can be used for the project. At the present is on the process and AVA has received the official permit from Myanmar Government which GEP-Myanmar got that permit on 20 February 2017 and the process of land sub-lease signing with AVA, now GEP-Myanmar is on the stage of preparation;
(3)	the Environmental and Socio-economic Impact Assessment Report for the project is approved by the Ministry of Natural Resources and Environmental Conservation;
(4)	GEP-Myanmar obtains the letter (or amendment) issued by EPGE to confirm that (i) all conditions precedent under the PPA are fulfilled (saved for the matters in Clause 1 and 2 of conditions subsequent of this information memorandum), or to extend the deadlines for conditions precedent under the PPA (as the case may be), and (ii) the financing closing date of phase one of the project has been met;

- |     |   |
|-----|---|
| (5) | GEP-Myanmar obtains a consent letter from the lenders under the credit facilities agreement of phase one for (i) the transfer of shares in GEP from the sellers to the ECF-Power, (ii) they are satisfied with the amendment providing for the change of off-taker under the PPA to EPGE, and (iii) they have agreed to the amendment to the Construction Services Contract dated 3 November 2016 and the amendment to Supply Contract dated 3 November 2016; |
| (6) | The lenders issue the term sheet for the loans in relation to phase two, phase three and phase four of the project together with their executed cover letter; and   |
| (7) | The Company obtains its shareholders' approval for the transaction.   |

In case, the Company and the sellers could not practice completely according to the conditions precedent or ECF-Power does not waive the conditions that could not finish within 31 May 2017, ECF-Power could use the right to terminate the share purchase agreement and the sellers have to return the deposit to ECF-Power at the amount of Baht 50 million. Once GEP-Myanmar has obtained all relevant licenses and permits and entered into the land lease agreement as set out as conditions precedent, GEP-Myanmar is able to commence the construction of phase 1 of the project immediately.

In this regard, after the conditions precedent the sellers have to complete the conditions subsequent within 31 December 2017 as follow;

- |    |   |
|----|---|
| 1) | GEP-Myanmar obtains the approval from the Central Bank of Myanmar for the relevant financial transaction for the project;   |
| 2) | GEP-Myanmar enters into the land lease agreement with Ministry of Natural Resources and Environmental Conservation for the land of 136 acres which can be used for the project;   |
| 3) | GEP-Myanmar obtains the letter (or amendment) issued by EPGE to extend the milestone under the PPA for the scheduled commercial operation date for phase one of the project from 13 July 2017 to be 31 December 2017 or any date not earlier than 31 December 2017;   |
| 4) | GEP-Myanmar obtains a consent letter from the lenders under the credit facilities agreement of phase one for (i) the extension of commercial operation date of the PPA (ii) the amendment to the PPA for the extension of the deadline for conditions precedent (if any), (iii) the amendment to extend the milestone under the PPA (if any), and (iv) the extension of the first repayment date, and Tranche A availability period (if applicable) under the credit facilities agreement of phase one; |
| 5) | GEP Myanmar enters into the operation and maintenance agreement for the project. In this regard, GEP-Myanmar will engage China Triumph International Engineering Group Co.,Ltd. ("CITEC") as the EPC Subcontractor, service provider and also operation and maintenance of the project. CITEC is the leading Chinese contractor and the part of China Building Material Group Corporation also the state enterprise that is ranked by Fortune Magazine to be one of 500 leading                         |

- 5) (Cont.) companies. Moreover the group of companies of CITEC, there are 2 listed companies on A-Share Stock Exchange (Chinese stocks that are listed in Shanghai Stock Exchange and Shenzhen Stock Exchange) and H-Share stock exchange (Chinese stocks that are listed in Hong Kong Stock Exchange);
- 6) GEP-Myanmar enters into the facilities agreement with the lenders in relation to phase two, phase three and phase four of the project. At the present the project is on the process of loan arrangement with the financial institutions.

GEP-Myanmar has engaged EPC Contractors and EPC Contractors have advanced the construction costs and expenses for phase 1 of the project. Once the construction of phase 1 of the project is completed, GEP-Myanmar will have to drawdown from the bank under the credit facility agreement in order to pay the EPC Contractors. GEP-Myanmar has to fulfill all of the conditions subsequent above in order to make a drawdown from the bank under the credit facility agreement.

If the conditions subsequent are not satisfied or waived by ECF-Power within 31 December 2017, ECF-Power may sell all purchased shares under the share purchase agreement to the sellers.

### 3.2 Type of Transaction and Transaction Value:

The offered price to purchase 51,512 shares, equivalent to 20.00 percent of the total issued shares of GEP the details are as follows;

1. The purchase price of ordinary shares of GEP USD 9 million or approximately Baht 310.05 million. The value includes USD 3 million refundable deposit in accordance with the resolution of the Board of Directors' meeting No. 8/2016 on 2 December 2016. The Company paid partial of that deposit of Baht 50 million on 26 December 2016 and the remainder will pay promptly with the payment of share purchase compliance with the share purchase agreement.
2. The value of ordinary shares of GEP which will be subscribed on a pro rata basis in the event of increase of registered capital in the future until the completion of construction of 4 phases of the project totaling USD 20.22 million or approximately Baht 696.44 million
3. Cash deficiency support ("**CDS**") on a pro rate basis not exceeding USD 5.54 million or approximately Baht 190.85 million.

From No.1 – No.3 is equivalent USD 34.76 million or Baht 1,197.48 million according to the exchange rate of BOT.

In this regard totaling of the value of transaction constituting Type 1 Transaction, namely, the entering into the transaction between the listed company or such company's subsidiaries with the party not being the listed company. After calculated based on the criteria prescribed in the Notifications on Acquisition or Disposal, such transaction showed highest transaction value equivalent to 50.80 percent of the total assets of the Company and its subsidiaries combined together, whereby the transaction value was calculated based

on the Consolidate Financial Statements of the Company ending 31 December 2016, which is the highest value in accordance with the total value of consideration basis prescribed in the Notifications on Acquisition or Disposal. Furthermore, when taking into account other acquisition transactions in the past six months prior to this transaction, the combined transaction amount to 57.91 percent of the total assets of the Company. The transaction, therefore, is classified as Type 1 Transaction pursuant to the Notifications on Acquisition or Disposal, namely, the transaction between the listed company or such company's subsidiaries with the party not being the listed company, with the transaction value equivalent to 50 percent or more but less than 100 percent, having the details as follows:

Calculation Basis	Formula	Transaction Value
1. Net Tangible Assets	$20\% \times \text{Baht } 232.18 \text{ million} / \text{Baht } 651.87\text{million} \times 100\%$	7.12 percent
2. Net Profits	Cannot be calculated as GEP incurred loss from their operation	
3. Total Value of Consideration	$(\text{Baht } 310.05 + 696.58 + 190.85 \text{ million}) / \text{Baht } 2,357.28 \text{ million} \times 100\%$	50.80 percent
4. Value of Securities	Cannot be calculated as the Company or the subsidiary have not issue the shares as the payment for assets	

**Remark:** The Company calculated the size of transaction from the financial statements of GEP as of 31 December 2016 audited by certified accountant.

The Company, therefore, has the duty to prepare a report and disclose the information memorandum on such transaction to submit to the Stock Exchange, as well as to convene the shareholders' meeting in order to seek approval on entering into the transaction, provided that the approval must be granted with the vote of no less than three-quarters of the total votes cast by the shareholders attending the Meeting and eligible to vote, without counting the votes cast by the interested shareholders. In this regard, the Company will deliver to the shareholders the notice convening the shareholders' meeting with the information memorandum as required by the Notifications on Acquisition or Disposal and the opinions of the independent financial advisor, in advance within the period of 14 days prior to the date of the shareholders' meeting. The Board of Directors' Meeting has resolved to propose that No.1/2017 Extraordinary General Meeting of Shareholders which will be convened on 31 May 2017 to consider and approve the purchase of such shares.

### 3.3 Key summary of the Draft of Share Purchase Agreement dated 3 April 2017

Purchaser :	ECF Power Company Limited as the subsidiary of the Company
Sellers :	Noble Planet Pte. Ltd. and Planet Energy Holdings Pte. Ltd. as the shareholders of GEP
Shares to be purchased :	51,512 shares of GEP

Conditions precedent for the purchase of the shares of GEP :	As specified on Clause 3.1, The Company and the sellers have to complete the conditions precedent within 31 May 2017.
If the conditions precedent are not satisfied :	ECF-Power has the right to terminate the agreement and receive the refundable deposit.
Conditions subsequent for the purchase of the shares of GEP :	As specified on Clause 3.1, The Company and the sellers have to complete the conditions subsequent within 31 December 2017.
If the conditions precedent are not satisfied :	ECF-Power may sell all purchased shares under the condition of the agreement to the sellers.

In this regard, the Company has appointed Chandler MHM Limited, to act as the Company's legal advisor, to provide advice on the legal matter in relation with the transaction including conducting the legal due diligence of GEP and GEP-MYANMAR , share purchase agreement, and shareholders' agreement and also relating scope of works.

#### 3.4 Key summary of the Draft of Shareholders' Agreement dated 3 April 2017

1. The dividend policy of GEP and GEP-Myanmar shall be payments of dividend of not less than 90% of the net profit (after mandatory prepayments (MPP) of 50% and adjusted annual budget).
2. After the transaction, both GEP and GEP-Myanmar will have 9 directors, which ECF-Power will be entitled to nominate 2 directors who will be required to remain as directors until the ending on the date falling 1 year after the last COD in respect of all 4 phases, or the date on which ECF-Power sells all of its shares to a third party (whichever occurs earlier).
3. In the event that the sellers wish to transfer its shares in GEP to a third party, ECF-Power has the right to require the sellers to cause the said third purchaser to purchase its shares at terms and at the time (Tag Along Right).
4. If any shareholder wishes to sell its shares to any third party, such shareholder shall first offer the sale shares to the other shareholders (Right of First Refusal). Each shareholder may transfer its shares to its affiliate without having to obtain consent from other shareholders.
5. At all times during the period until the ending on the date falling 1 year after the last COD in respect of all 4 phases, the Company shall have the control in the Company under the conditions that 1. The proportion of shareholding of Mr.Chalee Suksawad, Mr.Arak Suksawad and Miss Tippawan Suksawad shall remain not less than 25% and be the single largest shareholder; and 2. The Company shall remain the control directly or indirectly in ECF-Power
6. ECF-Power has the veto right for the following reserved matters.

Level of Reserved Matter	Voting requires to Veto	Reserved Matters
Board of directors reserved matter	Director of any group of shareholders has the right to veto	<ul style="list-style-type: none"> <li>● Capital increase and decrease of GEP and/or GEP-Myanmar other than those provided in estimated development cost of the budget</li> <li>● Amendment to the dividend policy and approval of dividend payments of GEP other than payment of dividend of not less than 90% of the net profit less budget and reserve</li> <li>● Amendment to the dividend policy and approval of dividend payments of GEP-Myanmar other than payment of dividend of not less than 90% of the net profit less budget, reserve and mandatory prepayment</li> <li>● Investment by GEP and/or GEP-Myanmar in any business or project</li> <li>● Sale, disposal or transfer of any share in GEP-Myanmar</li> <li>● Any merger or amalgamation under which GEP or GEP-Myanmar is a party</li> <li>● Any winding up or liquidation of GEP or GEP-Myanmar</li> <li>● Incur any financial indebtedness by GEP or GEP-Myanmar other than those provided in estimated development cost of the project or any refinancing of the debt provided in estimated development cost of the project</li> </ul>
	Shareholder of VTE group or directors of any two shareholder groups have the right to veto (Two groups of directors from ECF-Power or QTCGP or from any additional investors that may be happened in the future and those	<ul style="list-style-type: none"> <li>● Approval of the annual budget of GEP or GEP-Myanmar</li> <li>● Entering into any transaction or series of transactions by GEP or GEP-Myanmar with a total value exceeding Bath 50 million which has not been listed in the annual budget or the investment plan approved by the board of directors</li> <li>● Incurrence of financial indebtedness in excess of Baht 100 million except for the credit facilities in relation to the project</li> <li>● Creating of any encumbrance over the assets GEP or GEP-Myanmar other than required by the credit facility</li> </ul>



Level of Reserved Matter	Voting requires to Veto	Reserved Matters
	investors have not any relationship with the sellers or VTE)	<p>agreement, the EPC contract, or other credit facilities in relation to the project</p> <ul style="list-style-type: none"> <li>● Entering into any connected transaction between any related company assets GEP or GEP-Myanmar in relation to the project except any non-material amendment to any existing contract</li> <li>● Any debt forgiveness by assets GEP or GEP-Myanmar other than in favor of any Governmental Entity</li> <li>● Any compromising or settling of any arbitration or litigation of any case with the dispute value exceeding Baht 50 million by assets GEP or GEP-Myanmar other than in favor of any Governmental Entity</li> </ul>
Shareholders' reserved matters	VTE group or any two shareholder groups have the right to veto (Two groups of directors from ECF-Power or QTCGP or from any additional investors that may be happened in the future and those investors have not any relationship with the sellers or VTE)	<ul style="list-style-type: none"> <li>● Any amendment of the articles of association and/or the memorandum of association</li> <li>● The liquidation or dissolution of GEP</li> <li>● The capital increase and decrease of GEP</li> <li>● The amalgamation with another company</li> <li>● The issuance of new shares as fully or partially paid-up other than in money</li> <li>● The conversion of GEP to a public company</li> <li>● Entering into any agreement with a value exceeding the registered capital of GEP</li> <li>● Incurrence of financial indebtedness by GEP in excess of registered capital of GEP</li> </ul>

7. Non-competition provision in Myanmar for ECF-Power

Competing Business	Restriction
Non-power business	No restriction
Non-solar power business	If ECF-Power will invest at least 50% of the total investment, ECF-Power is required to offer the right to the sellers and VTE to participate in such power businesses project of not



Competing Business	Restriction
	less than 30% of the total investment.
Solar power business	If ECF-Power will invest more than 30% of the total investment or be the single largest investor, ECF-Power is required to obtain the written consent from the sellers.

**(4) Details of Acquired Assets :**

- Ordinary shares of GEP 51,512 shares equivalent to 20% of total paid-up shares, totaling USD 9 million or approximately Baht 310.05 million at the exchange rate of BOT.
- Additional ordinary shares which will be subscribed on a pro rata basis in the event of increase of registered capital in the future until the completion of construction of 4 phases of the project totaling USD 20.22 million or approximately Baht 696.58 million at the exchange rate of BOT.

Moreover the Company is required to provide Cash deficiency support (“CDS”) on a pro rate basis not exceeding USD 5.54 million or approximately Baht 190.85 million at the exchange rate of BOT in accordance with the condition of share purchase agreement.

**(5) Total Value of Compensation, Value of Acquired Asset, Criteria to Determine the Value of Compensation, and Term of Payment**

The payment of total value of compensation will occur after the completion of conditions precedent of share purchase agreement dated 31 March 2017 or may be agreed between the Company and the sellers.

In this regard, the conclusion of project cost are as follows;

Asset Shall Be Invested	Project Cost (Unit : USD million)					Percentage Of Total Investment Value
	Phase 1 50 MW	Phase 2 50 MW	Phase 3 50 MW	Phase 4 70 MW	All 4 phases 220 MW	
1. EPC+F Contract	67.75	65.33	62.35	87.29	282.72	96.62
2. Other expenses excluded from No.1	5.02	1.56	1.53	1.78	9.90	3.38
<b>Total Project Cost</b>	<b>72.77</b>	<b>66.89</b>	<b>63.88</b>	<b>89.07</b>	<b>292.62</b>	<b>100.00</b>

Source : GEP

Remarks:

- No 1. EPC+F contract shall have the meaning of construction service contract which will consists of civil work, system work, installation and testing, supply of all materials and instruments of the solar power plant 220 MW, including financing between the construction process.
- No. 2 Other expenses excluded from No.1 shall consist of land lease expense, advisory expenses, bank fees, contingency expenses excluded CDS.

#### The value of Compensation Part 1

After the approval of No.1/2017 Extraordinary General Meeting of Shareholders which will be convened on 31 May 2017 in order to entering into the transaction and also after the completion of conditions precedent by and between the Company and the sellers, the Company will purchase 51,512 existing shares from GEP or equivalent to 20 percent of total paid-up shares, totaling USD 9 million or approximately Baht 310.05 million at the exchange rate of BOT or equivalent to USD 174.72 per share or Baht 6,018.99 approximately per share. In this regard the Company shall pay by cash to the sellers within 10 days since the date of completion of conditions precedent or ECF-Power waive some unsatisfied conditions precedents within 31 May 2017.

#### The value of Compensation Part 2

Moreover, the Company has duty to subscribe of registered capital on pro rata basis of 20 percent in each phase of the project, which those subscriptions will have the interval not more than 1 year for each phase. The details of money injection at 20 percent of each phase are on the assumption of loan proportion at 65 percent of project cost as the details follows;

	<b>Investment Value</b> <b>(Unit : USD million)</b>
The value of subscription of registered capital for all 4 phases	20.22

The Value of Compensation Part 2 in the amount of USD 20.22 million or approximately Baht 696.58 million at the exchange rate of BOT, The Company will subscribe by cash.

Total value of consideration for acquiring shares of GEP is cash payment of Part 1 and Part 2, totaling Baht 1,006.63 million. The Company will make payment from the cash which the Company obtains from the proceeds arising from the issue and sale of newly-ordinary shares from right offering and private placement. The Annual General Meeting of Shareholders of 2017 which to be convened on 28 April 2017, the Company will request for the approval to increase its registered capital totaling Baht 64,382,605 by issuing 257,530,420 newly-ordinary shares with par value of Baht 0.25 per share and the approval of general mandate in preparation of right offering and private placement. In this regard, the Company will hold the Board of Directors' Meeting for approval of allocation of the newly issued ordinary shares by right offering and private

placement in May 2017 along with the issuance and sale of bonds with total value not more than Baht 2,000 million in which the Company will also request for the approvals in the Annual General Meeting of Shareholders of 2017 which to be convened on 28 April 2017. However the total of new-issued shares will not exceed 30 percent of paid-up capital or 170,647,815 shares.

This offering price is not classified as the offer of newly issued share at low price, according to the Notification of Capital Market Supervisory Board No. ThorJor 72/2558 (2015), Re: the grant of permission to issue new shares to private placement of the listed companies by determining the offering price will not be lower than the weighted average price of the Company's share on SET at least 7 backward consecutive business days but not over than 15 consecutive business days before date of offering price determination. In this regard, the weighted average price will be calculated from the average price of each trading day and the date of offering price determination will not backward over than 3 business days before the first offering date to the investors.

In addition basis of determination for the value of compensation Part 1 in the amount of approximately Baht 310.05 million came from the negotiation between the Company and the sellers with reference to appropriate valuation methodology by Discounted Cash Flow Model which was prepared by internal department. The main assumptions are as follows;

- Tariff rate : USD 0.1275 per unit
- Average energy output after COD of all 4 phases : approximately 309.29 million unit per year
- Debt to equity ratio : approximately 1.86 times
- Interest rate : approximately 6 percent per annum
- Loan tenor : 12 years
- Average forecast revenue of the project (after COD completion of all 4 phases) : approximately Baht 1,280 million per year
- Average forecast net income of the project (after COD completion of all 4 phases) : approximately Baht 400 million per year
- Shareholding percentage of ECF-Power in project : 20 years
- Equity Internal Rate of Return (EIRR) : 7.5 percent

**(6) Source of Fund for Acquisition of Asset and Details of Securities Issuance**

- (1) The Company will issue 257,530,420 newly-ordinary shares with par value of Baht 0.25 per share for right offering and private placement as referred to in Clause 5. However the total of new-issued shares will not exceed 30 percent of paid-up capital or 170,647,815 shares.
- (2) The company will issue bonds as referred to in Clause 5.
- (3) Working capital of the Company

In this regard, the proposal for approval of general mandate and the issuance of debenture have already resolved from the Annual General Meeting of Shareholders of 2017 convened on 28 April 2017.

All 4 phases of the project will be constructed one after another. Therefore, the Company is not required to raise the funds for the constructions of phase 2, phase 3 and phase 4 altogether immediately, and the Company is able to gradually raise fund for such purpose.

#### **(7) Condition for the Transaction**

The purchase of shares of GEP is subject to the following major conditions:

The No.1 Extraordinary General Meeting of Shareholder to be convened on 31 May 2017 approves the acquisition of assets and all other related transactions, as follows.

<b>Matters to proposed to the shareholders' meeting for approval</b>	<b>Conditions for approval</b>
The entering into acquisition transaction of Green Earth Power (Thailand) Co., Ltd. In according with the Notifications on Acquisition or Disposal and the Notifications on Connected Transaction	No less than $\frac{3}{4}$ of votes from all shareholders attending the meeting and having the rights to vote, without counting the votes cast by the interested shareholders

In addition, the entering into acquisition of GEP's shares is subject to the material Conditions Precedent as per the details set out in Clause 3.3 above.

#### **(8) Benefits to the Company from the Transaction**

- (1) The Company will receive returns from investment in the business of generation and sale of electricity from solar power in overseas, which will generate recurring income for a period of 30 years.
- (2) The investment in GEP will make the Company gain experience in the business of generation and sale of electricity, and expand business opportunities into energy industry in the future, especially the project in Myanmar.
- (3) The transaction will enhance value of the Company with sustainable growth of revenue and profit from investment.
- (4) Diversification of business and not relying the revenues mainly from the furniture business

#### **(9) Opinion of the Board of Directors on the Transaction**

The Board of Directors' meeting No. 5/2017, convened on 14 March 2017 passed a resolution to enter into the transaction as investment in GEP will be beneficial for the Company;

- (1) The investment in energy business which has low volatility will help the Company increase its stabilization in revenue and income. In addition, such investment will enhance the Company value and return to the Company in long term which will be beneficial to the Company's shareholders.
- (2) The investment creates the opportunity to expand its business to the energy industry in the future that be in line with the Company goal and policy to diversify risk.

The Board of Directors has considered and deemed that this investment is reasonable because it will create the opportunity of the Company with sustainable growth, as well as the investment in energy business which has low volatility will help the Company increase its stabilization in revenue and income. In addition, such investment will enhance the Company value and return to the Company in long term. Moreover, when considering the return on investment by the valuation of Discounted Cash Flow method from the prepared assumptions, the Company will receive acceptable return.

Nonetheless, the investment in the said 220 MW Solar Power Project in Myanmar possess risks in the process of execution, such as the process of officially obtaining the Myanmar Investment Commission (MIC Permit), in this regard, since 12 April 2017, GEP-Myanmar has already obtained permit from Myanmar Investment Commission (MIC permit) which considers to be an important permit and will bring about the obtaining of other permits such as DICA Permit and the proceedings of the Conditions Precedent and Conditions Subsequent on the share purchase agreement and also the Conditions Precedent as specified on other agreements such as Power Purchase Agreement and Loan Agreement.

In addition, the Company may confront risks from could not receive money back or delay refund from the sellers in case of not achieve Conditions Precedent or Conditions Subsequent because the sellers offer only personal guarantee and there is no any securities for guarantee. However in this point the Board of Directors has considered that the sellers are the ultimate shareholders such as Mr.Aung Thiha and Mr.Supasit Pokinjaruras, they are reputable, well-known executives and also the shareholders of VTE via Planet Energy Holdings Pte. Ltd., No.1 of VTE's shareholders, so there is no any reasons that the sellers will be default according to the conditions of relating agreements.

For non-competition conditions in solar power plant business in Myanmar for the period after completion of 4 phases Commercial Operation Date + 1 year after that (approximately 5 years), the Company has been prohibited of investment as follows;

- If the investment proportion not exceeding 30 percent of total investment value and also is not be the single largest investor, the Company will have to inform literally to the sellers and VTE before entering into such investment or;
- If the investment proportion exceeding 30 percent of total investment value and/or is the single largest investor, the Company will have to obtain the written permission from the sellers and VTE .

The Board of Directors has considered that non-competition conditions are not restrict to prohibit all of any investments. In case if there is any opportunity of investment the Company may negotiate with the sellers to find out the solution. However, for the period of just starting the investment in Myanmar, the Company has to rely on the experience of the sellers that may be the main factor to be successful of any investments.

Therefore, the Board of Directors has made the resolution to engage advisors to perform due diligence thoroughly and to ensure that there is no significant risk which results in the unsuccessful of the project. In this regard, the result of the due diligence being satisfactory to the Company is stated as one of the Conditions Precedent for the acquisition of shares as per the details set out in Clause 3.3 above.

In this regard, to approve the transaction in the NO.1/2017 Extraordinary General Meeting of Shareholders of the Company, to be convened on 31 May 2017, the Board of Directors suggests that the shareholders should take into consideration the benefits and risks of the transaction together with an opinion of the independent financial advisors.

**(10) Opinion of the Audit Committee and/or Opinion of the Director which is different from the opinion in No. (9)**

No member of the Audit Committee has different opinion from that of the Board of Directors and there were all members both of the Audit Committee and the Board of Directors participate in the meeting.

The Board of Directors certifies that all information contained in this Information Memorandum is true, complete and accurate and not mislead any third parties or lack any information which should be informed in material aspects.

**1. Responsibility of the Board of Directors to Information Memorandum**

The Board of Directors of the Company certified that the information of this memorandum is true, accurate and this does not mislead or lack of any significant the key information.

**2. The Qualification of Independent Financial Advisor for Giving the Opinion of the Transaction**

**2.1 Shareholding and Any Relationship of Independent Financial Advisor with the Company**

-None-

**2.2 Permission from Independent Financial Advisor for Disseminate of the Opinion of the Transaction**

The disseminate of the opinion of the transaction is allowed by I V Global Securities Public Company Limited.

**2.3 Date of Opinion**

18 April 2017

**3. Key Summary of The Company and Other Relevant Information**

**(1.) Key Summary of The Company**

**Background and Key Development**



The Company registered on 12 October 1999 with the first registered capital 6,000,000 baht (Six million baht). At the beginning period of business, the objective was to be the manufacturer and distributor of particle board-made furniture in form of Do It Yourself style which was under the management team led by Mr.Wanlop Suksawad as the current major shareholder and Suksawad family, which was the founder of the furniture business since 1992.

Later in 2010, the management team of East Coast Group would like to prepare and go public for Market Alternative Investment (mai), then the Company adjusted the structure of the group of companies. At that time there were 5 companies in East Coast Group, including East Coast Furnitech Public Company Limited. The business restructuring was to asset purchase from 4 companies by East Coast Furnitech Public Company Limited. On October 2012, the Company registered to be the public limited company and change the name to be East Coast Furnitech Public Company Limited and commence the first trading day and as well as to be the listed company on Market Alternative Investment (mai) on March 26 2013.

Currently, the Company has the paid-up capital totaling 142,206,512.50 Baht (One Hundred forty two Million and Two Hundred and six Thousand and Five Hundred and twelve Baht and fifty Satang) from all registered capital of 195,000,000 baht (One Hundred and Ninety Five Million Baht Only) for the rest of capital waiting for paid up that come from allocation for exercising of ECF-W1.

### **Nature of Business**

#### ➤ Furniture Business

East Coast Furnitech Public Company Limited (ECF) is a manufacturer and distributor of furniture made of particle board and rubber wood, foil paper, dried rubber wood using as a raw material for furniture manufacturing, a distributor of rubber wood furniture manufactured by ECF and of wood furniture manufactured by other domestic and oversea, and a service provider in cutting of pasting edge (PVC) using as a raw material for particle board furniture.

VV-Décor Co., Ltd. is one of subsidiaries which the company holds 99.95 percent of the registered capital. It has registered capital of 1,000,000 Baht with fully paid-up. It operated its business as trading of foil paper to some customers of the Company.

Product line of ECF and subsidiary can categorize into 5 types:

1. Rubber wood furniture
2. Particle board furniture
3. Furniture distributed through showroom
4. Foil paper
5. Dried rubber wood

➤ The Business operated by ECF Holdings Co.,Ltd., held by the Company 75 percent, as the subsidiary



ECF Holdings Co.,Ltd., currently has the paid-up capital 10,000,000 baht, operates the retail business Can Do which is the single-price shop style as same as 100-yen shop style originating from Japan. The Company is franchisee of Can Do Co.,Ltd., Japan and is opening 6 branches now.

➤ Renewable Energy Business

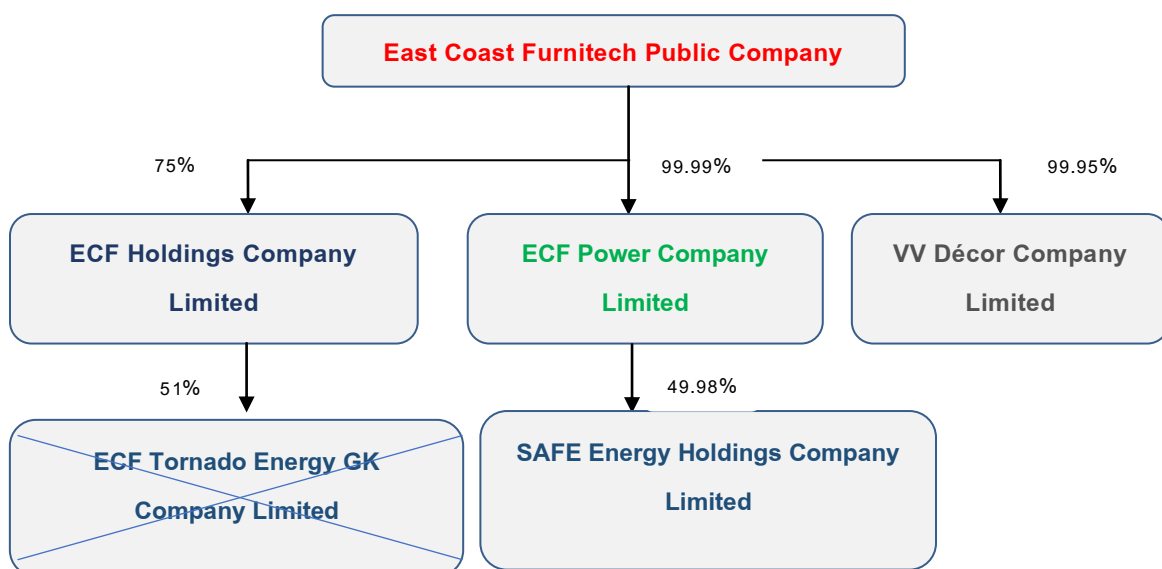
ECF Power Co.,Ltd. ("ECF-Power") is held 99.99 percent by the Company with the policy of business to invest in all types of energy business such as biomass power plant, solar power plant etc. ECF-Power has already registered on 16 January 2017.

The investment of biomass power plant, Currently the Board of Directors No. 2/2560, convened on 13 February 2017, has resolved to invest in biomass power plant of Prize of Wood Green Energy ("Project" or "PWGE") located on 149 Moo 3 Yuhkla Sub-District, Wang District, Narathiwat Province with installed capacity 7.5 MW. Safe Energy Holdings Co.,Ltd. ("SAFE"), as the associate, will be the investor of this project by share purchase from the existing shareholder of PWGE 99.99 percent In this regard, the completion of share purchase would be finished within quarter 2<sup>nd</sup> 2017 and after this transaction ECF-Power will hold 33.37 percent of total shares of SAFE. Moreover, the Company is on the process of feasibility study in many projects and still has not any conclusion.

For the solar power plant investment, except the share purchase 20 percent of Green Earth Power (Thailand) Co.,Ltd., now the Company has not any feasibility study in any projects.

Shareholding Structure of the Group of Companies

**Diagram about Group of Companies**  
**East Coast Furnitech Public Company Limited**



**\*Remark :**

- At present, ECF Tornado Energy GK has completed the Procedure for registration of company dissolution. From February 22, 2017.
- After the completion of share purchase of PWGE, ECF-Power will be the shareholder of SAFE by decrease the proportion of shareholding from 49.98 percent to 33.37 percent.

(2.) Top 10 Shareholders' name as of 29 March 2017 which is the latest registered closing date

Name	Shareholding details	
	Number of shares (share)	Proportion (% of paid-up capital)
<b>1. Suksawad Group</b>	<b>353,979,000</b>	<b>62.23%</b>
1.1 Mr. Wanlop Suksawad	80,032,000	14.07%
1.2 Mrs. Waraporn Suksawad	13,991,600	2.46%
1.3 Mr. Chalee Suksawad	79,990,800	14.06%
1.4 Mr. Arak Suksawad	79,990,800	14.06%
1.5 Miss Tippawan Suksawad	79,990,800	14.06%
1.6 Mr. Thamrong Suksawad	19,980,200	3.51%
1.7 Mrs. Suphak Suksawad	400	0.00%
1.8 Mr. Sitthichock Chinnurat	400	0.00%
1.9 Mstr. Wantana Suksawad	400	0.00%
1.10 Miss. Warisara Suksawad	400	0.00%
1.11 Miss. Supichaya Suksawad	400	0.00%
1.12 Mstr. Peerawut Suksawad	400	0.00%
1.13 Mstr. Nopparut Suksawad	400	0.00%
<b>2. Phatthamasatyasonthi Group</b>	<b>14,195,300</b>	<b>2.50%</b>
2.1 Miss Pitchpim Phatthamasatyasonthi	7,614,000	1.34%
2.2 Mrs.Kunthong Udommahunthisuk	2,700,000	0.47%
2.3 Miss Kritchanok Phatthamasatyasonthi	1,640,000	0.29%
2.4 Mr.Phisith Phatthamasatyasonthi	1,500,000	0.26%
2.5 Mr.Akekaluck Phatthamasatyasonthi	741,300	0.13%
<b>3. Wiriyatorphan Group</b>	<b>8,937,200</b>	<b>1.57%</b>
3.1 Mrs. Wassana Wiriyatorphan	7,260,700	1.28%

Name	Shareholding details	
	Number of shares (share)	Proportion (% of paid-up capital)
3.2 Mr. Vitthaya Wiriyatorphan	1,676,500	0.29%
<b>4. Thai NVDR Co.,Ltd.</b>	<b>7,051,800</b>	<b>1.24%</b>
<b>5. Chantarueangvanij Group</b>	<b>7,737,500</b>	<b>1.36%</b>
5.1 Mrs.Maiyarut Chantarueangvanij	2,461,498	0.43%
5.2 Mr.Sathorn Chantarueangvanij	5,168,837	0.91%
5.3 Mr.Chayathorn Chantarueangvanij	107,165	0.02%
<b>6. Phoo Kasem Group</b>	<b>6,898,100</b>	<b>1.21%</b>
6.1 Mr.Thitikorn Phoo Kasem	6,517,100	1.15%
6.2 Mr.Sawang Phoo Kasem	381,000	0.07%
<b>7. Miss Chintana Sae-Harn</b>	<b>4,886,000</b>	<b>0.86%</b>
<b>8. Solaris Trigger Fund 3 Plus 3 #2</b>	<b>4,303,000</b>	<b>0.76%</b>
<b>9. Miss Chanita Kwangwantanakul</b>	<b>4,114,000</b>	<b>0.72%</b>
<b>10. Rattapisankul Group</b>	<b>3,442,000</b>	<b>0.61%</b>
10.1 1 Mrs.Wantanee Rattapisankul	3,202,000	0.56%
10.2 Mr.Ronnakorn Rattapisankul	240,000	0.04%
<b>11. Other shareholders (2,465 people)</b>	<b>153,282,150</b>	<b>26.95%</b>
<b>Total shares</b>	<b>568,826,050</b>	<b>100.00%</b>

(3.) Board of Directors and Management Team

Board of Directors consists of 8 directors as follows.

1. General Therdsak Marom Chairman/ Audit Committee / Independent Director
2. Dr. Montri Socratyanurak Chairman of the Audit Committee / Independent Director
3. Mr. Songklod Jarusombat Audit Committee / Independent Director
4. Mr. Chalee Suksawad Vice President
5. Mr. Wanlop Suksawad Director
6. Mr. Arak Suksawad Director
7. Miss Tippawan Suksawad Director
8. Mrs. Waraporn Suksawad Director

The Authorized Directors are : Mr. Wanlop Suksawad, Mrs. Waraporn Suksawad, Mr. Chalee Suksawad, Mr. Arak Suksawad, Miss Tippawan Suksawad, at

least 2 Directors together jointly sign with the Company's seal affixed.

Audit Committee, the Company has three Audit Committee members consisting of

- |  |                                 |
|--|---------------------------------|
| 1. Associate Professor Dr. Montree Socratyanurak | Chairman of the Audit Committee |
| 2. General Terdsak Marom                         | Audit Committee                 |
| 3. Associate Professor Songklod Jarusombat       | Audit Committee                 |

Board of Executive Directors, the Company has four Management Committee members consisting of:

- |                           |           |
|---------------------------|-----------|
| 1. Mr.Wanlop Suksawad     | Chairman  |
| 2. Mr.Chalee Suksawad     | Committee |
| 3. Mr. Arak Suksawad      | Committee |
| 4. Miss Tippawan Suksawad | Committee |

(4.) Financial Highlight and Management Discussion and Analysis

Summary of the financial position and business operations

The statement of financial position	Consolidated Financial Statements		Consolidated Financial Statements		Consolidated Financial Statements	
	Ended December 31, 2014		Ended December 31, 2015		Ended December 31, 2016	
	Million Baht	percent	Million Baht	percent	Million Baht	percent
<b>Asset</b>						
<b>Current asset</b>						
Cash and cash equivalent	32.02	2.59	61.10	4.06	408.67	17.34
Account receivable						
- Related Companies	8.63	0.70	8.50	0.56	8.09	0.34
- Other Companies	146.86	11.86	189.19	12.56	195.02	8.27
Inventory - Net	419.99	33.91	578.63	38.42	756.80	32.10
Short-term loan for another company	-	-	-	-	50.00	2.12
Other current asset	23.96	1.93	24.55	1.63	38.85	1.65
<b>Total current asset</b>	<b>631.47</b>	<b>50.98</b>	<b>861.96</b>	<b>57.23</b>	<b>1,532.73</b>	<b>65.02</b>
<b>Non-current assets</b>						
Restricted deposits at bank	30.00	2.42	30.60	2.03	30.87	1.31
Investment in associate accounted for using the equity method	-	-	60.90	4.04	8.00	0.34
Held-to-maturity debt securities	2.00	0.16	2.00	0.13	2.00	0.08
Property plant and equipment - Net	373.00	30.11	360.46	23.93	351.77	14.92
Surplus on revaluation of assets - Net	183.58	14.82	160.88	10.68	347.60	14.75
Intangible assets - Net	4.42	0.36	2.95	0.20	3.33	0.14
Deferred tax assets	3.68	0.30	2.69	0.18	3.89	0.17
Other Non-current assets	10.53	0.85	23.75	1.58	77.09	3.27
<b>Total Non-current assets</b>	<b>607.20</b>	<b>49.02</b>	<b>644.24</b>	<b>42.77</b>	<b>824.55</b>	<b>34.98</b>
<b>Total Asset</b>	<b>1,238.67</b>	<b>100.00</b>	<b>1,506.20</b>	<b>100.00</b>	<b>2,357.28</b>	<b>100.00</b>

The statement of financial position	Consolidated Financial Statements		Consolidated Financial Statements		Consolidated Financial Statements	
	Ended December 31, 2014		Ended December 31, 2015		Ended December 31, 2016	
	Million Baht	percent	Million Baht	percent	Million Baht	percent
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Bank overdraft and short-term loans from financial institutions.	330.98	26.72	540.24	35.87	672.87	28.54
Payable on the sale of accounts receivable claims.	41.77	3.37	50.78	3.37	60.24	2.56
Trade accounts payable	135.18	10.91	180.09	11.96	177.83	7.54
Other account payable - related companies	2.10	0.17	2.04	0.14	1.96	0.08
Short-term loan and accrued interest expense for related person	-	-	10.59	0.70	0.00	0.00
Liabilities in hire-purchase agreement and finance leases contracts due within one year	10.68	0.86	11.33	0.75	10.83	0.46
The portion of long-term loans due within one year	66.97	5.41	63.41	4.21	85.98	3.65
Accrued expenses and other current liabilities	56.89	4.59	59.63	3.96	66.52	2.82
<b>Total current liabilities</b>	<b>644.58</b>	<b>52.04</b>	<b>918.11</b>	<b>60.96</b>	<b>1,076.24</b>	<b>45.66</b>
<b>Non-current liabilities</b>						
Long-term loans - Net	166.80	13.47	114.36	7.59	67.17	2.85
Debenture	-	-	-	-	498.31	21.14
Liabilities in hire-purchase agreement and finance leases contracts - Net	17.81	1.44	11.20	0.74	3.97	0.17
Profit from sale and deferred lease back	0.22	0.02	0.13	0.01	0.08	0.00
Liabilities for post-employment benefits	3.28	0.26	3.38	0.22	5.92	0.25
Deferred tax liabilities	6.86	0.55	5.37	0.36	46.50	1.97
<b>Total non-current liabilities</b>	<b>194.97</b>	<b>15.74</b>	<b>134.44</b>	<b>8.93</b>	<b>621.95</b>	<b>26.38</b>
<b>Total Liabilities</b>	<b>839.55</b>	<b>67.78</b>	<b>1,052.54</b>	<b>69.88</b>	<b>1,698.19</b>	<b>72.04</b>
<b>Shareholder's equity</b>						
Registered capital	195.00		195.00		195.00	
Issued and fully paid-up share capital	130.00	10.50	137.55	9.13	142.24	6.03
Premium on share capital	105.48	8.52	113.03	7.50	117.69	4.99
Retained earnings						
- Appropriated for legal reserve	16.60	1.34	19.50	1.29	19.50	0.83
- Unappropriated	187.96	15.17	245.81	16.32	294.97	12.51
Other components of equity <sup>1/</sup>	(40.92)	(3.30)	(59.76)	(3.97)	82.34	3.49
<b>Equity attributable to Owners of the Parent</b>	<b>399.12</b>	<b>32.22</b>	<b>456.14</b>	<b>30.28</b>	<b>656.71</b>	<b>27.86</b>
Non-controlling interests	-	-	(2.48)	(0.16)	2.39	0.10
<b>Total shareholders' equity</b>	<b>399.12</b>	<b>32.22</b>	<b>453.66</b>	<b>30.12</b>	<b>659.09</b>	<b>27.96</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,238.67</b>	<b>100.00</b>	<b>1,506.20</b>	<b>100.00</b>	<b>2,357.28</b>	<b>100.00</b>

**Notes:** <sup>1/</sup> Other components of equity's detail as follows ;

As of December 31, 2014 valued (minus) 40.92 million baht it consisted of

1. Surplus on revaluation of assets – net of Baht 176.72 million baht.
2. Surplus from business combination under common control (minus) 217.64 million baht.

As of December 31, 2015 valued (minus) 59.76 million baht it consisted of

1. Surplus on revaluation of assets – net 155.51 million baht.
2. Surplus from business combination under common control (minus) 217.64 million baht.
3. Share of other comprehensive income from associate 2.38 million baht.

As of December 31, 2016 valued (minus) 82.34 million baht it consisted of

1. Surplus on revaluation of assets – net 301.44 million baht
2. Surplus from business combination under common control (minus) 217.64 million baht.
3. Loss on change in investment in subsidiary is negative 1.45 million bath.

Summary of the financial position and business operations (cont.)

Statements of Comprehensive Income	Consolidated Financial Statements		Consolidated Financial Statements		Consolidated Financial Statements	
	2014		2015		2016	
	Million Baht	percent	Million Baht	percent	Million Baht	percent
Revenue from sale-Net	1,209.05	98.46	1,334.10	98.22	1,370.78	98.27
Other income						
- Unrealized gain (loss) on fair value of derivatives	9.09	0.74	3.29	0.24	0.25	0.02
- Gain (loss) on exchange rate	(7.36)	(0.60)	2.22	0.16	2.42	0.17
- Others	17.18	1.40	18.69	1.38	21.68	1.55
<b>Total Revenue</b>	<b>1,227.96</b>	<b>100.00</b>	<b>1,358.30</b>	<b>100.00</b>	<b>1,394.91</b>	<b>100.00</b>
Cost of goods sold	(887.25)	(72.25)	(981.74)	(72.28)	(983.27)	(70.49)
Selling expenses	(108.70)	(8.85)	(134.17)	(9.88)	(158.87)	(11.39)
Administrative expenses	(118.21)	(9.63)	(118.65)	(8.74)	(155.46)	(11.14)
<b>Total Expenses</b>	<b>(1,114.17)</b>	<b>(90.73)</b>	<b>(1,234.56)</b>	<b>(90.89)</b>	<b>(1,297.60)</b>	<b>(93.02)</b>
<b>Profit Before Interests and Income Tax Expense</b>	<b>113.79</b>	<b>9.27</b>	<b>123.74</b>	<b>9.11</b>	<b>97.31</b>	<b>6.98</b>
Financial costs	(30.95)	(2.52)	38.73	(2.85)	(54.43)	(3.90)
Share of loss from investment in associate	-	-	(0.84)	(0.06)	32.83	2.35
Income tax expense	(12.97)	(1.06)	13.99	(1.03)	(10.71)	(0.77)
<b>Profit for The Year</b>	<b>69.88</b>	<b>5.69</b>	<b>70.17</b>	<b>5.17</b>	<b>65.00</b>	<b>4.66</b>
<b>Other Comprehensive Income (Loss)</b>						
Actuarial loss on remeasurement of liability for post-employment benefits	-	-	-	-	(1.51)	(0.11)
Share of other comprehensive income from associate	0.00	0.00	4.66	0.34	2.95	0.21
Gain on revaluation of assets	-	-	-	-	166.39	11.93
Portion that was reclassified to share of profit from investment in associates	-	-	-	-	(6.49)	(0.50)
<u>Other Comprehensive Income For The Year</u>	<u>0.00</u>	<u>0.00</u>	<u>4.66</u>	<u>0.34</u>	<u>161.34</u>	<u>11.57</u>
<b>Total Comprehensive Income For The Year</b>	<b>69.88</b>	<b>5.69</b>	<b>74.83</b>	<b>5.51</b>	<b>226.34</b>	<b>16.23</b>
<b>Profit (Loss) Attribute to:</b>						
Owners of the parent	69.88	5.69	75.43	5.55	62.44	4.48



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Statements of Comprehensive Income	Consolidated Financial Statements		Consolidated Financial Statements		Consolidated Financial Statements	
	2014		2015		2016	
	Million Baht	percent	Million Baht	percent	Million Baht	percent
Non-controlling interests	-	-	(5.25)	(0.39)	2.56	0.18
Profit for the Year	69.88	5.69	70.17	5.17	65.00	4.66
<b>Total Comprehensive Income (Loss) Attribute to:</b>						
Owners of the parent	-	-	77.80	5.73	224.94	16.13
Non-controlling interests	-	-	(2.97)	(0.22)	1.40	0.10
Total Comprehensive Income for the Year	69.88	5.69	74.83	5.51	226.34	16.23
<b>Basic Earnings per Share (Baht)</b>	<b>0.134</b>		<b>0.144</b>		<b>0.112</b>	
<b>Diluted Earnings per Share (Baht)</b>	<b>0.114</b>		<b>0.138</b>		<b>0.106</b>	

Statements of cash flows: East Coast Furnitech Public Company Limited and its subsidiaries

Unit: Million Baht

Statements of cash flows	Consolidated Financial Statements	Consolidated Financial Statements	Consolidated Financial Statements
	Audited	Audited	Audited
	2014	2015	2016
Profit before income tax expense	82.85	84.16	75.72
<u>Adjustment for non-cash items</u>			
Depreciation and amortization	69.07	69.45	71.46
Increase in allowance for doubtful accounts	2.13	0.44	0.29
Provision for post-employment benefits	0.31	0.10	0.65
Unrealized Gain (Loss) on exchange rate	(0.06)	(0.0007)	0.05
Increase (decrease) in allowance for obsolete / slow-moving inventories	8.74	(5.38)	(1.62)
Gain (loss) on sale of machinery and equipment	(0.24)	(0.06)	(0.05)
Loss on selling equipment	-	-	-
Gain (Loss) on fair value of derivatives	(0.09)	(3.29)	(0.02)
Share of loss from investment in associate	-	0.84	(32.83)
Unrealized gain on valuation of fair value of current investment	-	-	(0.25)
Interest receivable	(0.27)	(1.58)	(9.29)
Interest payable	30.95	38.73	54.43
<i>Increase (decrease) in Operating assets</i>			
Trade account receivable	10.87	(42.55)	(5.03)
Inventories	(140.18)	(153.33)	(176.58)
Other account receivable – related companies	-	-	-
Other current asset	(4.56)	0.88	(11.92)
Other non-current asset	(2.03)	(13.96)	(57.77)
<i>Increase (decrease) in Operating liabilities</i>			
Trade account payable	(10.90)	44.91	(2.28)
	0.72	(0.06)	(0.08)





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Statements of cash flows	Consolidated	Consolidated	Consolidated
	Financial Statements	Financial	Financial
	Audited	Statements	Statements
	Audited	Audited	Audited
	2014	2015	2016
Other account payable – related companies	(6.63)	8.42	4.23
Accrued expenses and other current liabilities	(11.74)	(15.57)	(15.40)
Income tax expense			
<b>Net cash provided by operating activities</b>	<b>19.93</b>	<b>12.16</b>	<b>(100.85)</b>
Increase in restricted deposits at bank	(30.00)	(0.60)	(0.26)
Increase in the investment of associate	-	(57.08)	(8.50)
Increase in the current investment	-	-	(75.06)
Increase in loans to other party	-	-	(50.00)
Proceeds from decrease and return of share capital from associate contribution of associated companies	-	-	69.73
Increase in property, plant and equipment	(28.08)	(27.02)	(35.23)
Increase in intangible assets	(1.90)	(0.01)	(1.97)
Cash from sale of equipment	1.70	0.002	1.03
Dividends receive from associates	-	-	20.95
Cash received from interest income	0.27	1.0	11.02
<b>Net cash used in investing activities</b>	<b>(58.00)</b>	<b>(83.71)</b>	<b>(68.29)</b>
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(21.68)	209.21	132.56
Increase (decrease) in A/P on the sale of accounts receivable claims	(1.32)	9.01	9.46
Decrease in liabilities in hire-purchase agreement and finance leases contracts	(12.70)	(10.77)	(12.47)
Increase in short term loans from related person	-	10.50	-
Increase in long-term loans	269.90	4.10	38.16
Repayment of long-term loans	(130.01)	(60.10)	(62.78)
Increase in non-controlling interests	-	0.49	2.01
Issuance of debenture	-	-	500.00
Debenture issuance costs	-	-	(2.63)
Cash received from increase in share capital (IPO) Proceeds from sales of machinery and equipment under sales and leaseback agreements	-	15.10	9.32
	9.72	-	-
Cash paid for dividend	(15.60)	(35.88)	(32.24)
Cash paid for interest expenses	(31.69)	(41.03)	(54.18)
<b>Net cash provided by (used in) financing activities</b>	<b>66.62</b>	<b>100.62</b>	<b>516.71</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28.55</b>	<b>29.08</b>	<b>347.57</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3.47</b>	<b>32.02</b>	<b>61.10</b>
<b>Cash and cash equivalents at end of period</b>	<b>32.02</b>	<b>61.10</b>	<b>408.67</b>

## The Key Financial Ratios

Key Financial Ratios	Consolidated	Consolidated	Consolidated
	Financial Statements	Financial Statements	Financial Statements
	2014	2015	2016
<b>LIQUIDITY RATIO</b>			
Current ratio (Times)	0.98	0.94	1.42
Quick Ratio (Times)	0.29	0.28	0.64
Cash Ration (Times)	0.03	0.02	(0.10)
Account Receivable Turnover Ratio (Times)	7.42	7.46	6.78)
Average Collection Period (Days)	48.54	48.28	53.25
Inventory Turnover (Times)	5.92	5.98	5.06
Average Inventory Period Ratio (Days)	60.86	60.18	71.20
Accounts Payable Turnover Ratio (Times)	6.31	6.23	5.49
Repayment period (Days)	57.06	57.80	65.52
Cash Cycle (Days)	52.34	50.66	58.93
<b>PROFITABILITY RATIO</b>			
Gross Profit Margin (%)	26.62	26.41	28.27
Operating Profit Margin (%)	9.41	9.28	7.10
Cash to profitability Ration (%)	17.51	9.83	(103.64)
Net Profit Margin (%)	5.56	5.51	4.66
Return On Equity (%)	18.78	17.55	11.68
<b>EFFICIENCY RATIO</b>			
Return On Asset (%)	6.00	5.45	3.37
Return On Fix Asset (%)	38.49	39.34	38.32
Total Assets Turnover (Times)	1.06	0.99	0.72
<b>FINANCIAL POLICY RATIO</b>			
Debt to Equity Ratio (Times)	2.10	2.32	2.58
Interest Coverage Ratio (Times)	2.06	1.72	0.54
Coverage Ratio (Cash Basis) (Times)	0.10	0.05	-0.30
Dividend Payout Ratio (%) <sup>1/</sup>	51.35	43.08	46.84

**Notes :** <sup>1/</sup>Dividend Payout Ratio = Dividends / Net Income

## Management Discussion and Analysis

### Overview of Past Performance

Throughout the past three years from 2014-2016, the Company's the value of revenues from sales continuously increased with average Compound Average Growth Rate for three retroactive years period for

6.48%. The growth rate of revenues from sales was 10.34% between 2014 and 2015 and 2.75% between 2015 and 2016.

Nevertheless, in 2016 period, the Company's growth rate of revenues from sales decreased when compared with previous year period since it was the year that commercial atmosphere has still been affected both from domestic and foreign factors which has not yet facilitated to the people's spending. The consumption confidence has not yet increased as anticipated as it should be. According to export condition, the figure of wood furniture export for 2016 decreased from previously 4.53%. The Company regarded the overall result in last 2016 to be satisfactory on its ability to generate growth rate of revenues from sales and total revenues to be continuously increased under negative factor in various areas without facilitation as expected.

In overview of 2016, the main revenues of the Company were derived from product export or in the proportion of revenues from sales for 57%. Revenues decreased approximately for 1.43%, resulting from not being in line with anticipation of purchase orders of foreign customers, particularly customer groups in Middle East countries due to price competition problem. However, for main customer base in Japan of which the Company's proportion of revenues from export of products for distribution to the customers in Japan was estimated to be not below 50% of total revenues from sales has still continuously grown for over 3.33%. Even though it would be growth rate which was not on setting target, but in 2016 period, the Company has adjusted the product development strategy by offering new types of products to its customers such as bed product group. In the end of the year, the Company has started to receive feedback from customer group as seen from more purchase orders of bed-type product. It was anticipated for significant increase for 2017. Apart from new product offer, the Company has still continuously focused on product design and development to decrease quantity of sales in the existing product groups which have been continuously ordered by the customers. Due to long trades, it therefore has been difficult for request on increase in product price from the customers in some products. Such method will be a way contributing to increase in profitability rate for the Company.

For revenues from distribution of domestic products, the Company could generate growth rate of revenues from sales at 8.78% in 2016 period, decreasing when compared with 2015 period with 16.87% of growth rate according to domestic factor as aforesaid. If considering from each distribution channel, it was found that the Company's growth rate of revenues from distribution of products which are the Company's brands increased approximately 8%. The Company has distributed this product group to modern trade retail store-type customer group such as Leaf Brand for distribution to Home Pro, Fur Direct Brand for distribution to Big C, a7 Brand for distribution to Mega Home, HASTA Brand for distribution to Thai Watsadu, and My Fur Brand for distribution to Do Home Retail Store, etc. For revenues from sales of ELEGA Showroom, it is the showroom distributing hard wood furniture products for total of 18 current branches. In last 2016 period, the decrease in revenues for approximately 14% was anticipated to be factor from the confidence of the consumer's consumption. The price level of the product group distributed in ELEGA Showroom is for middle customer group and over. For distribution channel via wholesale store and dealer store whereas Costa Brand is used by the Company, the year of 2016 has been the year that could significantly generate growth on

revenues from sales with approximately 325% of growth rate, resulting from restructuring of marketing and sales personnel and competition strategy.

After completion of business operation restructuring by the Group of East Coast Companies since 2011 period, the Company has engaged the business via the operation of two juristic persons consisting of East Coast Furnitech Company Limited (before transformation into public limited company) and VV – Décor Company Limited on behalf of the subsidiary with the Company's shareholding in the proportion of 99.95%). After such restructuring, the Company's nature of main business is to be the manufacturer and distributor of particle wood furniture, rubber wood furniture and paper foil for use as assembly in furniture manufacture, manufacture; distribution of dried processing rubber wood; distribution of furniture via branch showroom under ELEGA brand for 16 branches that distribute hard wood furnitures which are domestically manufactured and imported from abroad, and three stores of FINNA HOUSE that distribute furnitures which are manufactured by use of Disney cartoon design copyright under being franchisee for use of cartoon designs for manufacture. At this moment, the Company has still been the sole franchisee in Thailand and the cutting service provider of PVC edging sheet.

Later in 2015, the Company registered for establishment of an additional subsidy which is ECF Holdings Company Limited ("subsidiary" or "ECFH") on behalf of the subsidiary held for shares by the Company in the proportion of 75%. At present, ECFH is the business operator of Can Do retail store with operation in form of JPY100 Store of which its franchise has been purchased by the Company from Japan and sells which sells products in the whole store at one price of Baht 60. At present, total of six branches have been opened for service. The first branch is located at Future Park Rangsit and was opened for service on last 19<sup>th</sup> December 2015. In addition, ECFH had short period of time for energy business operation during 2015 – 2016. ECFG has invested in alternative energy business for solar farm power plant project of ECF Tornado Energy Godo Kaisha which is the investment in Japan with approximately 1.5 MW of installed production capacity. The project is located at No. 1737 Kodani, Toyotomi-cho, Himeji city, Hyogo, Japan. ECFH's shareholding proportion has been 51%. The commercial operation date has been commenced since 21<sup>st</sup> December 2015. Later, the Company considered selling asset invested in ECF Tornado in the proportion of 51% to Capital Inc. Capital Inc. is the juristic person which has been registered for incorporation since 1983 to operate real estate business, solar energy and other energy businesses in Japan. Sales Contract for Asset was entered on 19<sup>th</sup> August 2016 whereas the sold asset's net selling price from related tax was around Baht 82.19 million as the selling price under best condition when compared with total of other five proposers for sales or approximately 43.94% of profit when compared with investment cost. The cause of decision making for sales of such asset was due to consideration on profit that will be gained when compared with approximately 8% per annum of return on investment from the project operation for 20 years of project operation duration. After completion of the return of investment and profit from sales of asset to shareholders on 29<sup>th</sup> September 2016, ECF Tornado has currently completed the procedure of winding up registration since last 22<sup>nd</sup> February 2017. Therefore, ECFH has not currently operated alternative energy business at all.

## Performance

### Revenue from Furniture Business

The Company's revenue classified by product types and distribution channel are as follows;

The Company's revenue classified by product types ranked according to sales revenue for the year 2016 is as follows:

No. 1: Particle board furniture with totaling 963.12 million baht or 70 percent

No. 2: Rubber wood furniture with totaling 189.22 million baht or 14 percent

No. 3: Furniture sold through showrooms, wholesalers, and dealers with totaling 121.38 million baht or 9 percent

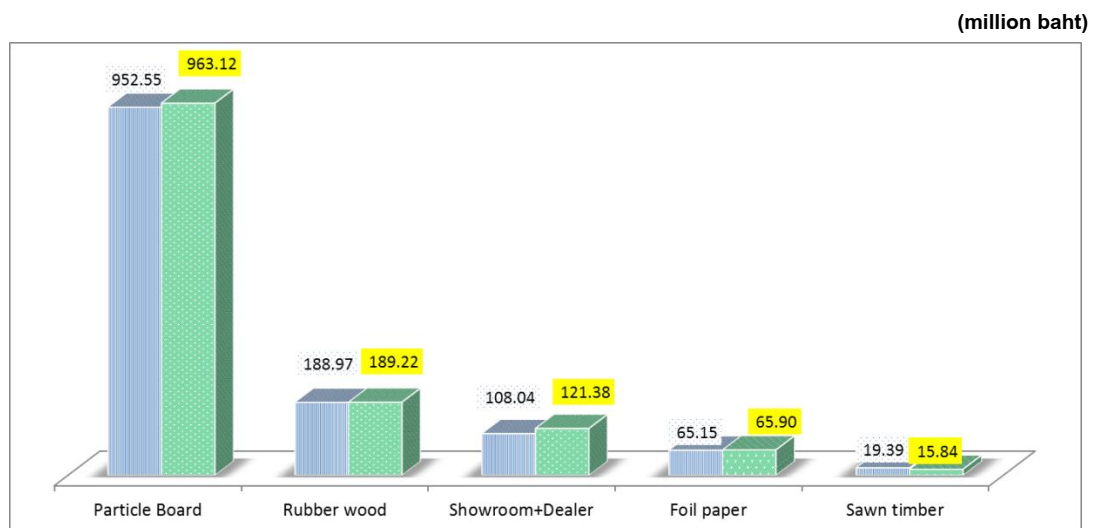
No. 4: Foil paper with totaling 65.90 million baht or 5 percent

No. 5: Dried rubber wood with totaling 15.84 million baht or 1 percent

The comparison of growth of revenue from furniture classified by product types between 2015 and 2016, overview the value is almost near the last year except revenue from furniture sold through ELEGA showrooms and dealers that grew with the highest rate when comparing to the other product types or equivalent 12 percent.

### **Revenue classified by product types**

**Between 2015– 2016**



The Company's revenue classified by distribution channels which are ranked according to the revenue from sales for the year 2016 is as follows:

No. 1: Made-to-order channel using the customer's brands with totaling 767.53 million baht or 60 percent

No. 2: House brands with totaling 384.81 million baht or 30 percent

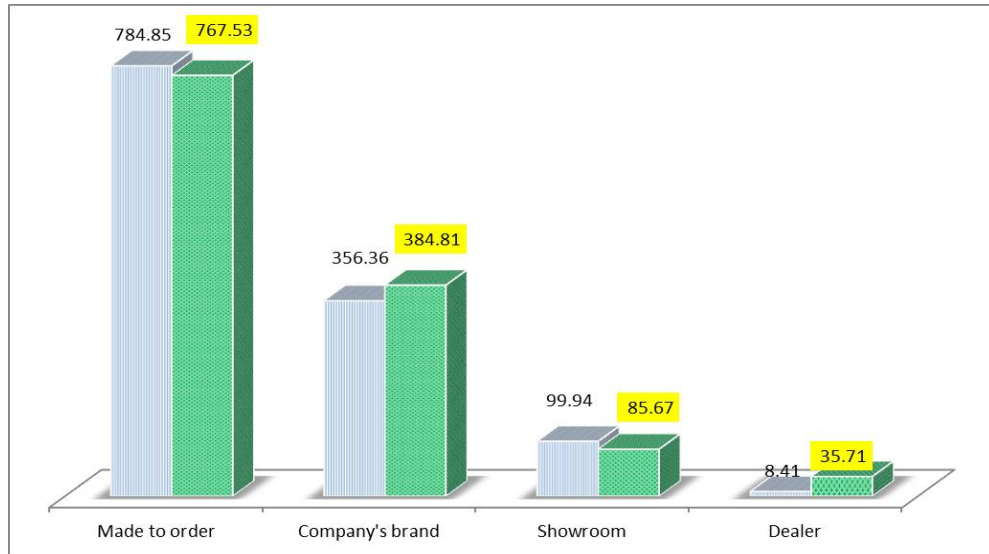
No. 3: Showrooms with totaling 85.37 million baht or 7 percent

No. 4: Wholesalers and dealers with totaling 35.17 million baht or 3 percent

Currently, the Company's revenue from made-to-order products represents 59 percent of its total sales revenue, and this revenue represents 63 percent of its total revenue from furniture sales.

**Revenue from selling furniture, Classified by distribution channel  
Between 2015– 2016**

(million baht)



Revenue from Retail Business (Can Do)

For the operation of ECF Holdings Co.,Ltd., The Company gained the revenue 15.31 million baht for the year 2016 from retail business with single-price shop style (60 baht) that is the same as 100-yen shop. Can Do has commenced the business since 19<sup>th</sup> December 2015.

Revenue from Solar Power Plant Business

For the year 2016, the Company gained the revenue from ECF Tornado Energy GK, operated solar power plant in Japan, in form of the profit sharing from the investment proceeds in associate 32.83 million baht, of which such power plant started the commercial operation date on 21<sup>st</sup> December 2015.

The Company's sales revenue equaled 1,209.05 million baht, 1,334.10 million baht, and 1,370.78 million baht in 2014, 2015, and 2016, respectively, which showed an increase of 10.34 percent from 2014 to 2015 and an increase of 2.75 percent from 2015 to 2016.

Its revenue from domestic and overseas sales last year accounted for approximately 43.36 and 56.64 percent of its total sales revenue, respectively.

Last year, a significant increase in the sales revenue was derived from the Company's growth in its revenue from the sale of retail shop and dealer shop ("Dealer") that the Company planned the new



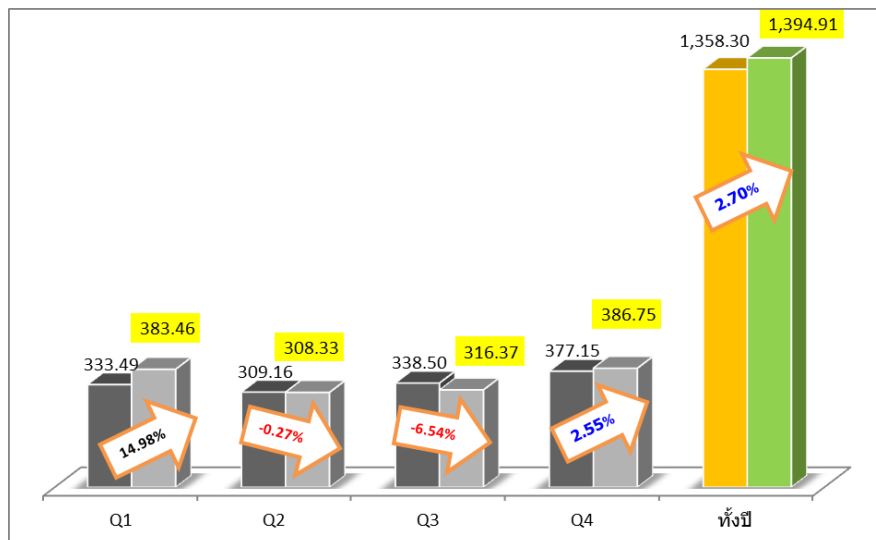
marketing strategy so as to expand the distribution channel of Dealer. In this regare, the majorit of sold products for Dealer has come from the furniture produced by the Company, imported from overseas and also hire the outsource factory. The growth rate from Dealer for the last yeast was 324.61 percent from the sales revenue 35.71 million baht, decreased 8.41 million baht from the last year. The second is the sales revenue from House brand products which the growth rate 7.98 percent from the sales revenue 384.81 million baht, increased from 356.36 milllion baht of the last year.

The Company's other revenue in 2014, 2015, and 2016 was worth 18.92 million baht, 24.20 million baht, and 24.13 million baht, respectively. This revenue consisted of revenue from unrealized gains (losses) based on the fair value measurement of the derivatives, gains (losses) from exchange rate, and other components such as the sale of scrap, gains (losses) from sale of fixed assets, interest received, and compensation for exports.

The main component of other revenue was unrealized gain (loss) on fair value of derivatives in 2014, 2015, and 2016 was worth gain 9.09 million baht, gain 3.29 million baht and gain 0.25 million baht respectively. The second was gains (losses) from exchange rate worth of each year was loss 7.36 million baht, gain 2.22 million baht and gain 2.42 million baht respectively.

Its total revenue in 2014, 2015, and 2016 was equal to 1,227.97 million baht, 1,358.30 million baht, and 1,394.91 million baht, respectively. Its compound average growth rate per year was 6.58 percent, and its total revenue grew continually, in line with the major growth of its sales revenue.

### Comparing revenue by quarter between 2015 – 2016 (million baht)



The Company has revenue by comparing in each quarter for the year 2016 as follows; 1<sup>st</sup> quarter was worth 383.46 million baht, 2<sup>nd</sup> quarter 308.33 million baht, 3<sup>rd</sup> quarter 316.37 million baht and 4<sup>th</sup> quarter



386.75 million baht, of which it is normal of business cycle that the season of low revenue will be 2<sup>nd</sup> quarter and 3<sup>rd</sup> quarter and the season of high revenue will be 4<sup>th</sup> quarter and 1<sup>st</sup> quarter.

#### Costs of goods sold and expenses

In 2014, 2015, and 2016, the Company's costs of goods sold represented 73.38 percent, 73.59 percent, and 71.73 percent of its total sales revenue, respectively. The value of its costs of goods sold equated 887.25 million baht, 981.74 million baht, and 983.27 million baht, respectively.

Data from 2014 to 2016 revealed that the Company's ratio of costs of goods sold to sales revenue declined continually, the major cause of which was its investment in semi-automatic machines to optimize the manufacturing process for particle board furniture. Some of the machines were installed and first used in late 2013. In 2014, the Company spent most of its proceeds from fund raising through the IPO to make an investment to optimize machinery and the manufacturing process, which allowed it to continually reduce the number of people needed for the manufacturing process. The investment in the machinery affected the reducible costs of goods sold from the past three years. In 2016, the decrease in the costs of goods sold was mainly caused by cost and expense controlling policy. Whereas the price of particle board and rubber wood was stable without significant swings.

In 2014, 2015, and 2016, the Company's selling expenses represented 8.85 percent, 9.88 percent, and 11.39 percent of the total revenue, respectively, and its selling expenses represented 108.70 million baht, 137.17 million baht, and 158.87 million baht, respectively.

Moreover, the Company's administrative expenses represented 9.63 percent, 8.74 percent and 11.14 percent of total revenue, respectively and its administrative expenses represented 118.21 million baht, 118.65 million baht, and 155.46 million baht, respectively.

In 2016, The significant causes of increasing expenses came from selling expenses, administrative expenses and financial cost, of which the details are as follow;

- Selling expenses increased from major cause of the promotion expense of the subsidiary (ECF Holdings Co.,Ltd.) that is operating Can Do shop in order that Can Do is able to boost sales revenue in accordance with the target sales.
- Administrative expenses of the subsidiary especially Can Do, came from the expenses relating to the operation of business and also the administrative expenses of furniture business came from the increase of the benefit expense of employees and the gradually accrued expense of bonus including the expenses of feasibility study of project investment for energy business such as the expenses relating to hire many experts for their opinions, the allowance for impairment loss on fixed assets increased by Baht 5.46 million in accordance with the accounting standard that the Company has to re-evaluate on fixed assets every 5 years.

The Company's financial costs in 2014, 2015, and 2016 equaled 2.52 percent, 2.85 percent and 3.90 percent of its total revenue. This was 30.95 million baht, 38.73 million baht and 54.43 million baht, in 2014, 2015, and 2016, respectively.

The financial costs incurred over the last periods included the interest paid on loans from financial institutions. The Company's outstanding overdraft and short-term loans from financial institutions, as of December 31, 2014, 2015, and 2016, equaled 330.98 million baht, 540.24 million baht and 672.87 million baht respectively. The Company's long-term loans from financial institutions equaled 233.77 million baht 177.77 million baht and 153.14 million baht, as of December 31, 2014, 2015, and 2016, respectively. However, for the period of 2015 – 2016 the Company's outstanding short-term loan was tending to increase as a result of working capital for inventories and also for the operation of Can Do, the retail shop business with one single price 60 baht which has opened 6 branches now. The loans was used for decoration, order the products for sales and inventories. Moreover, in 2016 the Company provided the source of fund for business by issuance the debenture on 26 May 2016 with interest rate 5.4 percent per annum which will be maturity date on 26 February 2017.

For the long-term loans was tending to decline continually, which came from the payment of principal and negotiation to converse to short term loan for working capital.

#### Gross profit margin and net profit margin

The Company's gross profit margins in 2014, 2015, and 2016 represented 26.62 percent, 26.41 percent and 28.27 percent of its total sales revenue, which equaled 321.80 million baht, 352.36 million baht and 387.51 million baht, respectively.

A major factor contributing to the Company's gross profit margins that increased from 2014 was its adjusted manufacturing policy that focused on cutting production costs, purchasing semi-automatic machines for manufacturing particle board furniture to reduce labor costs in the manufacturing process, training workers in manufacturing skills to reduce losses, as well as the strictly policy of in-process manufacturing cost reduction. The results of the policy implementation continued to create positive impacts until 2016.

Moreover, in 2016 the trend prices of raw materials such as particle board and rubber wood did not fluctuate significantly.

The Company's net profit margins in 2014, 2015, and 2016 accounted for 5.66 percent, 5.17 percent and 4.66 percent, which equaled 69.88 million baht, 70.17 million baht and 65.01 million baht, respectively. The Company's net profit margins in 2016 would be divided into profit for the year – owners of the parent was 62.44 million baht and non-controlling interests 2.57 million baht.

One major external factor that influenced the Company's overall performance was the change in the prices of rubber wood and particle board and raw materials for manufacturing its furniture. In this regard, in 2016 the price of those raw materials were quite stable and did not have any impact on the cost of manufacturing. The other factor was the order quantities – whether increasing or decreasing, this affected the

fixed expenses per unit and then economies of scale, which allowed the Company to manage costs more efficiently. In 2016 the Company could manage the cost of manufacturing decreased but still confronted the problem of under-target orders. However the following year the Company will plan for managing the orders and also the competition of price. In addition the problem of the continual increase of promotion expense that are collected from the customers such as Modern trade, the Company has to manage by internal cost control and propose the new collection of products to customer that may help for price adjustment.

As for internal factors, they included the ability to develop and improve the manufacturing process and investment in semi-automatic machines to optimize the manufacturing process and ability to manage manufacturing costs and expenses. However, in 2016 the Company could reduce cost of good sold continually on the other hand the selling expenses and the administrative expenses increased from the policy of sales promotion in order to boost the sales revenue. Whereas in 2016, the Company was on the feasibility study in many power plant projects which led to the expenses of hiring the experts, due diligence process and also the allowance for impairment loss on fixed assets increased by Baht 5.46 million in accordance with the accounting standard that the Company has to re-evaluate on fixed assets every 5 years.

The Company's comprehensive income margins in 2014, 2015, and 2016 accounted for 5.66 percent, 5.51 percent and 16.23 percent, which equaled 69.98 million baht, 74.83 million baht and 226.35 million baht, respectively. The Company's comprehensive income in 2016 would be divided into comprehensive income for the year – owners of the parent was 224.94 million baht and non-controlling interests 1.40 million baht.

The major cause of increase of comprehensive income in 2016 came from on October, the Company reestimated the fixed assets in accordance with the accounting standard every 5 years that resulted to the increase of profit from that re-evaluation by 166.39 million baht.

### **Financial Status Analysis**

#### **Asset**

##### **Current Assets**

As of December 31, 2014, 2015 and 2016, the Company's current assets equated 631.47 million baht, 861.96 million baht and 1,532.73 million baht, respectively, which are outlined as follows:

- Cash and cash equivalents - As of December 31, 2014, 2015 and 2016 the Company's cash and cash equivalents were valued at 32.01 million baht, 61.10 million baht, and 408.67 million baht, which represented 2.59 percent, 4.06 percent, and 17.37 percent of the total assets, respectively. The major cause of the increase was to in 2016 the Company issued and offered debentures 500 million baht on the beginning of May.
- Net accounts receivables – As of December 31, 2014, 2015 and 2016 the Company's net accounts receivables were valued at 155.50 million baht, 197.69 million baht, and 203.10 million

baht, which represented 12.56 percent, 13.12 percent, and 8.62 percent of the total assets, respectively. The value of the accounts receivables varied to the sales revenue.

Overall, there was a rise in the value of the Company's accounts receivables, which was in line with the increase in the sales revenue. However, in 2016 the Company earned more sales revenue from wholesalers and dealers that these customers usually delay the payment. Concerning the Company's ability of payment collection, its average collection period during 2014, 2015 and 2016 was 48.54 days, 48.28 days, and 53.25 days, respectively. However, the Company realizes the risk of accounts receivable collection from wholesaler and dealers which the marketing and accounting team will follow up closely for debt collection.

As of December 31, 2016, the Company's net accounts receivables equaled 203.10 million baht. The value of accounts receivables from the Company's related parties was 8.09 million baht, which was derived from the sale of furniture and foil paper for furniture manufacturing to related parties for a value of 28.03 million baht. The related parties were Index Interfurn Co., Ltd. and Index Living Mall Co., Ltd., a director of which was the spouse of Mr. Arak Suksawat, who was the Company's shareholder, director, authorized director, and member of the management team. The value of the accounts receivables from the unrelated parties equaled to 195.02 million baht. Almost all of the Company's accounts receivables, 80.88 percent, were not yet due for payment. Currently, the customers to whom the Company considers granting a term of credit are local modern trades and dealers. These customers have never been a problem with respect to collection. For overseas customers, the payment term is L/C at sight or instant transfer (T/T) before the shipment date.

#### **Total Accounts Receivable outstanding as of December 31, 2016**

##### ***Total Accounts Receivable***

##### **Related Companies**

Current	5.08	62.74%
Not Over		
- Not over 3 months	3.00	37.10%
- Over 3 - 6 months	0.00	0.00%
- Over 7 - 12 months	0.00	0.00%
- Over 12 months	<u>0.01</u>	<u>0.16%</u>
<b>Total</b>	<u><b>8.09</b></u>	<u><b>100.00%</b></u>

##### **Other companies -Net**

Current	157.73	80.88%
Not Over		
- Not over 3 months	31.04	15.92%
- Over 3 - 6 months	4.10	2.11%
- Over 7 - 12 months	1.00	0.52%
- Over 12 months	3.34	1.71%
<b>Total</b>	<b><u>197.21</u></b>	<b><u>101.13%</u></b>
<i>Less Allowance for doubtful accounts</i>	<u>-2.20</u>	<u>-1.13%</u>
<b>Net – Accounts Receivable</b>	<b><u>195.01</u></b>	<b><u>100.00%</u></b>

The Company set the allowance for doubtful accounts based on the past debt collection data by having the policy to follow up debtors to make the payment within credit terms as follows;

<b>Overdue Accounts Receivable</b>	<b>Rate of allowance for doubtful accounts in net accounts receivable</b>
	100 percentage
More than 12 months	(Only for specification of uncollectible accounts)
More than 24 months	100 percentage

As of December 31, 2016, the Company sold, with a discount, its accounts receivables of approximately 89.05 million baht to two financial institutions under credit facilities of 195.00 million baht. As of December 31, 2016, the financial institutions that provided the Company with factoring credit facilities had a right to have recourse to an approximate amount of 60.24 million baht (the amount of money was waiting for collection from accounts receivables that the Company sold to the financial institutions). The liabilities are recorded as “accounts payables from factoring.” To request the factoring credit facilities, the Company did not need to provide assets as security for the credit facilities. This was a benefit for the Company, as it did not need to have a security burden, and this could improve its liquidity in a way. In the case of overdraft (OD), the Company was able to use its factoring credit facilities to enhance its liquidity.

- As of December 31, 2014, 2015 and 2016, the Company’s net inventories were valued at 419.99 million baht, 578.63 million baht, and 756.80 million baht, which represented 33.91 percent, 38.42 percent, and 32.10 percent of its total assets, respectively.

The Company's inventories included raw materials prepared for manufacturing goods during production and finished goods stocked for sale, furniture imported or purchased locally for sale, as well as inventories from the subsidiary Can Do shop operated by ECF Holdings Co.,Ltd. that has just begun the retail shop in single price total 6 branches. In the past, the value of inventories continually increased in line with the increasing sales volume. The higher sales volume forced the Company to plan purchasing raw materials and stocking inventories sufficiently to meet demand and to prevent shortages of raw materials used in manufacturing for sale, especially rubber wood. In the past, the Company had sufficient rubber wood in stock, and when the prices of rubber wood rose, it sold the wood to third parties. Normally, all high-quality processed rubber wood is fed to the furniture manufacturing process; it is not sold to the third parties. Currently, the Company receives a large number of orders for made-to-order products and house-brand products, so over 95 percent of processed rubber wood and dried rubber wood produced by the Company is put into the Company's furniture manufacturing process. As for poor-quality wood or wood with wrong dimensions, which account for the other five percent, it is not used for making furniture. Instead, it is sold to third parties, which purchase this wood to use as raw material for making other products, such as palettes.

Most furniture that the Company manufactures and sells to made-to-order and local modern trade customers is particle board furniture. Under a condition in the agreement, the Company has to produce finished goods to stock for delivery. Overseas customers and modern trades normally inform the Company of the quantities of finished goods they need for each delivery. Therefore, it needs to sufficiently stock its goods and ensure punctual deliveries. In 2016, most of the Company's inventories are goods during production, which accounted for 58.97 percent of the net inventory value or representing to 446.30 million baht increased from the last year 341.16 million baht. During that time, the Company was manufacturing goods to deliver to made-to-order and local modern trade customers. This was followed by finished goods, which represented 28.78 percent representing to 217.80 million baht increased from the last year 171.15 million baht.

Another topic is the average sales period (calculated based on inventories – finished goods, excluding goods during production, goods in transit, and materials used in manufacturing). In 2014, 2015 and 2016, the Company's average sales period equaled 60.86 days, 60.18 days, 71.20 days, respectively. Overall, the Company's average sales period since 2014 has risen steadily, as a result of its continually increased finished goods in stock, from 171.15 million baht as of December 31, 2015 to 217.80 million baht as of December 31, 2016. This partly stemmed from its continually growing sales revenue and from the terms of agreement about stocking finished goods waiting for delivery to local modern trades. In 2016, the Company's sales revenue from modern trades and dealers grew, so it needed to manufacture more goods waiting for delivery to the customers, including the stock of Can Do with all 6 branches now.



With regard to policies relating to inventories, the Company has a policy towards the allowance for obsolete and slow movement inventories. Its policy towards the allowance for obsolete inventories and also slow-moving goods takes into account the age (over three years), conditions and past experience of the goods. The allowance for obsolete inventories and slow-moving goods is approximately five percent of the value of goods to be received. If the goods have stayed over four years, its allowance is 50 percent of the value of goods to be received. In addition, the Company has one type of inventory which is separated to be the considering inventory in order to be categorized as obsolete stock which is twenty percent of the value of goods to be received.

For the past years, the Company has focused on the implementation of a policy to continually check and track the movement of inventories. The Company has solved the problem with slow-moving goods or inventories by providing sale promotion programs to release them. As of December 31, 2016, the Company's allowance for obsolete inventories and slow-moving goods was 5.76 million baht.

#### Non – Current Assets

As of December 31, 2014, 2015 and 2016, the value of the Company's non-current assets equated to 607.20 million baht, 644.24 million baht and 824.55 million baht, respectively, which are outlined as follows:

- As of December 31, 2014, 2015 and 2016, the Company's net value of land, buildings and equipment equalled 373.00 million baht, 360.46 million baht and 351.77 million baht which accounted for 30.11 percent, 23.93 percent, and 14.92 percent of its total assets, respectively.

In 2016, the Company's major investment was made in machinery for the manufacturing process, which increased 22.12 million baht, vehicles for business 9.15 million baht, as well as machinery under installation 1.05 million baht. There was no any other investment in buildings.

- As of December 31, 2014, 2015 and 2016, the Company's net appraisal surplus totaled 183.59 million baht, 160.88 million baht, and 347.60 million baht, which represented 14.82 percent, 10.68 percent, and 14.75 percent of its total assets, respectively.

In 2011, the Company applied new methods to be used in the revaluation of its buildings and machines to reveal the fair value of assets whose value significantly changed from the book value. The market approach was used for machinery valuation, and the cost approach for building valuation. In accordance with the accounting standard, the Company is obliged to re-evaluate the fixed asset every 5 years. In this regard, in 2016 from October – November the Company re-evaluated the buildings and machines which resulted to happen the increase of appraisal surplus 166.30 million baht.



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**Total Assets**

As of December 31, 2014, 2015 and 2016, the Company's total assets were valued at 1,238.67 million baht, 1,506.20 million baht, and 2,357.28 million baht, respectively.

The continual increase in its total assets for 2016 was a result of the increase in its cash and cash equivalents , inventories and asset appraisal surplus.

**Liquidity**

The Company's liquidity as of December 31, 2014, 2015 and 2016, equaled 0.98 times, 0.94 times, and 1.42 times, respectively. Its liquidity ratio was the ratio of current assets to current liabilities. Overall, its liquidity ratio increased continually; so did the Company's current assets. As of December 31, 2014, 2015 and 2016, its current assets were valued at 631.47 million baht, 861.96 million baht, and 1,532.73 million baht, respectively. On the contrary, its current liabilities continually increased. As of December 31, 2014, 2015 and 2016 they equaled 644.58 million baht, 918.11 million baht, and 1,076.24 million baht, respectively. The increase of liquidity was mainly caused by a significant increase in cash and cash equivalents which equaled as of December 31, 2014, 2015 and 2016 32.02 million baht, 61.10 million baht and 408.67 million baht, respectively, when comparing between 2015 and 2016. This increase of cash and cash equivalents caused from the issuance of debentures on May 2016.

In terms of the quick liquidity ratio, as of December 31, 2014, 2015 and 2016, it equaled 0.29 times, 0.28 times and 0.64 times, respectively. Overall, the ratio of the Company increased significantly in 2016 from cash and cash equivalents as same as the liquidity ratio.

**Liabilities****Current Liabilities**

As of December 31, 2014, 2015 and 2016, the Company's current liabilities were valued at 644.58 million baht, 918.11 million baht, and 1,076.24 million baht, respectively. They are outlined as follows:

- As of December 31, 2014, 2015 and 2016, the Company's overdraft and short-term loans from financial institutions were valued at 330.98 million baht, 540.24 million baht, and 672.87 million baht, which accounted for 26.72 percent, 35.87 percent, and 28.54 percent of its liabilities and shareholders' equity, respectively. Its overdraft and short-term loans from financial institutions were used as the working capital for running the business. Moreover the significant cause of increase in 2016 came from the necessity of using working capital for inventories of export and domestic customers especially dealers that grew eminently and as well as for the running business of the subsidiary (Can Do) which has opened total 6 branches now.
- As of December 31, 2014, 2015 and 2016, the Company's accounts payables were valued at 135.18 million baht, 180.09 million baht, and 177.83 million baht, which represented 10.91

percent, 11.96 percent, and 7.54 percent of its liabilities and shareholders' equity, respectively. Overall, the value of the Company's accounts payables increased continually, came from the increase of ordering raw material for production process of furniture business. The Company's payment period for accounts due in 2014, 2015, and 2016 equated 57.06 days, 57.80 days, and 65.52 days, respectively. The payment complied with the collection policy of the Company's accounts payables.

- The long-term loans that were due to be paid within a year As of December 31, 2014, 2015 and 2016 were valued at 66.97 million baht, 63.41 million baht, and 85.98 million baht, which represented 5.41 percent, 4.21 percent, and 3.65 percent of its liabilities and shareholders' equity, respectively. They were part of the remaining long-term loans. The Company's remaining long-term loans equalled 233.77 million baht, 177.77 million baht, and 153.14 million baht, respectively. The trend of long-term loans decreased continuously from payment and negotiation to reconstruct to be more short-term loans so as to be used as working capital form running business.

#### Non-current liabilities

As of December 31, 2014, 2015 and 2016, the Company's non-current liabilities totalled 194.97 million baht, 134.44 million baht, and 621.95 million baht, respectively, which are outlined as follows:

- As of December 31, 2016, debentures was valued at 498.31 million baht, which represented 21.14 percent of its liabilities and shareholders' equity, which came from the issuance and offering of debentures on May totaling 500 million baht and deducted all relevant expenses 1.69 million baht.
- As of December 31, 2014, 2015 and 2016, its net long-terms loans were valued at 166.80 million baht, 114.36 million baht, and 67.17 million baht, which represented 13.47 percent, 7.59 percent, and 2.85 percent of its liabilities and shareholders' equity, respectively. The long-term loans decreased continuously from debt payment and reconstruction to be more short-term loans.

#### Total Liabilities

As of December 31, 2014, 2015 and 2016, the Company's total liabilities equalled 839.55 million baht, 1,052.54 million baht, and 1,698.19 million baht, respectively.

The major items of the total liabilities were overdraft and short-term loans from financial institutions, followed by debentures, accounts payable and long-term loans that were due to be paid within a year and net long-term loans, respectively.

#### Shareholders' Equity

As of December 31, 2014, 2015 and 2016, the Company's shareholders' equity totalled 399.12 million baht, 453.66 million baht, and 659.09 million baht, respectively.

There were significant items of shareholders' equity which are outlined as follows:

- With respect to issued and paid-up registered capital, as of December 31, 2014, 2015 and 2016, the Company's registered capital equaled 130.00 million baht (from registered capital of 195.00 million baht), and 137.55 million baht (from registered capital of 195.00 million baht) and 142.21 million baht (from registered capital of 195.00 million baht), respectively. As of December 31, 2016, the Company's issued and paid-up registered capital was valued at 142.21 million baht – 568,826,050 ordinary shares with a par value of 0.25 baht per share. Based on the Company's consolidated, the issued and paid-up registered capital accounted for 6.03 percent of the liabilities and shareholders' equity. The rest of registered capital will reserve for exercising ECF-W1. Now there are warrants not been used for exercising totaling 211,042,396 units.
- The Company's share premium as of December 31, 2014, 2015 and 2016, was valued at 105.48 million baht, 113.03 million baht and 117.69 million baht respectively. In 2014, it was a result of the IPO in March 2013 that had an IPO price of 1.20 baht per share. The Company was paid for the shares valued at approximately 144.00 million baht (before cost deduction), and it recorded this as registered capital of 30.00 million baht and a share premium of 105.48 million baht. In 2015 and 2016, premium on shares came from the result of exercising warrants totaling 12.21 million baht.
- The Company's unappropriated retained earnings As of December 31, 2014, 2015 and 2016 equaled 187.96 million baht, 245.81 million baht, and 294.97 million baht, respectively. As of December 31, 2016, the Company's unappropriated retained earnings represented 12.51 percent of its liabilities and shareholders' equity. The unappropriated retained earnings as of December 31, 2016 were a payment from the share premium based on the appraisal of buildings and machines, which was then transferred to the retained earnings. The retained earnings that could not be paid as dividends. However, after the date on the Financial Statements, the Board of Directors resolved to propose the Annual General Meeting of Shareholders for the year 2017 to consider dividends payment at 0.0535 baht per share from the operation result of 2016, totaling 30.45 million baht, which could divided into 0.0154 baht per share derived from tax exemption profit portion according to Board of Investment (BOI) privilege; and 0.0381 baht per share, respectively. The payment will be made within the end of May 2017.

Cash flows for the fiscal year, which ended on December 31, 2016

Net cash from (used in) operating activities

The Company had significant factors result in net cash flow from operation activities from increase of inventories 176.58 million baht. Moreover, it came from other non-current assets increasing 57.77 million baht which there was a part of deposit 50 million baht in order that this deposit complied with the agreement of feasibility study of a solar power plant including advance payment which was a part of other current assets increased 11.92 million baht. That advance payment relates to the preparation of energy business

investment. As above-mentioned items resulted to net cash from operating activities minus 100.85 million baht decreased from 2015, when cash flows from its operations equaled 12.16 million baht.

Net cash from (used in) investment activities

The Company's cash involved in investment activities equaled minus 68.29 million baht. The major transaction in 2016 was investing in temporary investment increased 75.06 million baht, short-term loan for other company 50.00 million baht and paying cash of 35.23 million baht, increasing for buildings and equipment expenses.

Net cash from (used in) financing activities

The Company's net cash used in financing activities equated to 516.71 million baht. The major transaction was cash of 500.00 million baht from the issuance and offering debentures and overdraft and short-term loans from financial institution increased 132.56 million baht.

As of December 31, 2016 the Company's cash and cash equivalents equaled 408.67 million baht increasing from as of December 31, 2015 that there was cash and cash equivalents equaled 61.10 million baht.

For the year 2016 average inventory period was 71.20 days, average collection period was 53.25 days, and average repayment period was 65.52 days. As the result, the Company's cash cycle was 58.93 days, which increased from 2015 that there was cash cycle 50.66 days. In this regard, cash cycle will be calculated from average inventory period ratio plus average collection period minus average repayment period.

(5.) Indebtedness

1. Debentures

The Company limitedly issued and offered the registered, unsubordinated, and unsecured debentures to the institutional investors of 500,000 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 5.4 % p.a. whereby interest is payable on a quarterly basis and will mature for redemption on 26 February 2018.

2. Loan of the Company and subsidiaries as of 31 December 2016, including all collaterals

Long-term loan outstanding as of 31 December 2016 was 153.14 million baht with maturity date from December 2018 – 2021.

3. Other Liabilities of the Company and subsidiaries as of 31 December 2016, including all collaterals

- Bank overdrafts and short-term borrowings from financial institutions

	unit : million baht
<i>Bank overdrafts and short-term borrowings from financial institutions</i>	<i>As of 31 December 2016</i>
Bank overdrafts	28.04
Loans under packing credits	103.05
Loans under promissory notes	535.00
Loans under trust receipt agreements	6.79
Total	<u>672.88</u>

The above-mentioned credit facilities are guaranteed by certain directors of the Company as well as land and fixed deposits of the Company's two directors, the Company's fixed deposits, and the Company's land, buildings, and machinery and equipment.

- Liabilities under hire purchase and finance lease agreements 14.81 million baht

#### 4. Others

- The Group has commitments on space lease and service agreements for its branch offices and retail shops for sundry goods with the term of 3 years whereby the last agreement will end in January 2019, totaling 55.80 million baht;
- The Company has letters of guarantee issued by three local banks to two private companies and a government agency totaling approximately Baht 29.3 million;
- The Company has unused letters of credit with a local bank amounting to approximately Baht 5.0 million;
- The Company has commitment on construction of office building amounting to approximately Baht 23.5 million;
- The Company has the outstanding forward exchange contracts as of 31 December 2016 which will be ended between April and June 2016, totaling 6.67 million baht.
- The Company has commitment on payment of guarantee amounting to Baht 50.0 million for the feasibility study project of investment in an entity that operates solar power plant whereby total amount of guarantee under this project amounted to Baht 100.0 million which was partially paid by the Company to the major shareholders of such entity of Baht 50.0 million. Such paid amount was presented as part of "Deposits and guarantees" in the consolidated and separate statements of financial position as at December 31, 2016. In case the outcome of such study is not satisfied, the paid guarantee shall be entirely refunded to the Company.

#### (6.) Legal Dispute

-None-

(7.) For year 2016, the company may have conflict of interest transaction as shown below;

Related Party	Relationship	Type of Transaction	Amount of transaction (MB)	Necessity and reasonability
			Yr 2016 or as of December 31, 2016	
1. Index Living Mall Co., Ltd. (Index Living Mall)	Director of Index Living Mall is spouse of Mr. Arak Suksawad who is in the position of shareholder, authorized Board of Directors and management of the Company	<b>Rental Cost and Show Room Fee:</b> Rental area under brand "ELEGA" to distribute real wood furniture.	20.71	<ul style="list-style-type: none"> <li>- Rental 13 potential locations as of December 31, 2016 under brand ELEGA to distribute rubber wood furniture and imported real furniture in Show room in Index living Mall with lower rental cost comparing to other tenants to expand domestic market and to promote the Company's products.</li> <li>- Index Living Mall has no rental policy to offer to other parties except for sale products. Hiring location for sale Index Living Mall's products is to completely fill in the furniture in Index Living Mall's showroom. However, the Company paid on a lower rental cost comparing to other tenants to Index Living Mall and it is reasonable price, fair and at arm's length basis.</li> <li>- The company sells particle board furniture to Index living mall in September, 2012 with pricing in accordance with normal commercial terms. (Fair and at arm's length)</li> </ul>
		<b>Rental and Show Room Service Deposit:</b> The Company paid a rental and showroom service deposit to Index Living Mall in order to be a guarantee of Index Living Mall's rental and service fee as per terms and rental conditions.	4.93	
		<b>Other Payables:</b> Rental deposit is accrued expenses of Index Living Mall which have not got into the payment overdue. However, the Company has processed the payment for above accrued expenses to Index Living Mall already.	1.96	
		<b>Sales of Products:</b> The company sell particle board furniture to Index living mall since September, 2012	12.97	



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Related Party	Relationship	Type of Transaction	Amount of transaction (MB) Yr 2016 or as of December 31, 2016	Necessity and reasonability
1. Index Living Mall Co., Ltd. (Index Living Mall) (cont.)		<b>Trade Receivables:</b> Index Living Mall has the accrued expenses which have not got into the payment overdue.	3.14	<u>Auditing Committee's opinions</u> Audit Committee verified and provided the opinions of these transactions that they are rational and for the maximum benefits of the Company.
2. Index Interfurn Co.,Ltd.(IIF)	- INDEX Group - Director of IIF is spouse of Mr. Arak Suksawad who is in the position of shareholder, authorized the Board of Directors and management of the Company	<b>Sales of Products</b> The Company sells foil paper to IIF in 2010	15.06	- IIF is one of the large furniture manufacturer in Thailand, IIF started to order foil paper in 2010 before re-structuring of the Group to eliminate conflicts of interest. IIF purchased products from VCD at first time. - The foil paper has quality and unique property such as color, gloss and thickness. The company sets prices on the basis of the pricing in normal commercial terms, fair and at arm's length basis. - The Company needs a lot of foil paper to produce furniture to distribute to Index Living Mall as the result that the Company cannot produce and find the raw materials to produce according to the specified qualification. <u>Auditing Committee's opinions</u> Audit Committee verified and provided the opinions of these transactions that they are rational and for the benefits of the Company.
		<b>Trade Receivables</b> IIF has the accrued expenses of foil paper with the Company and the overdue within 3 months which is normal payment condition for IIF.	5.38	
		<b>Raw Material Purchasing</b> The Company purchases foil paper and PVC from IFF to produce some model of products prior to distribute to Index Living Mall.	0.73	
		<b>Accounts Payable</b> The Company has accrued expense for foil paper and PVC edge to IFF, however this payment has not got into the payment overdue.	0.19	



(8.) Key issue of agreements in the past 2 years

Relevant agreements in this transaction

Kindly consider the details of Information Memorandum: Schedule 1 key summary of the draft of share purchase agreement date 3 April 2017 No. 3.1 and No. 3.3 and as well as key summary of draft of shareholders' agreement date 3 April 2017 No. 3.3

(9.) Opinion of Independent Financial Advisor about this asset acquisition

Please see the enclosure

(10.) Opinion of the Board of Directors about the sufficiency of fund

The Board of Directors resolved to enter into this transaction with the sufficiency of fund as the details of Information Memorandum: Schedule 1 No.6 Source of Fund for Acquisition of Asset and Details of Securities Issuance

(11.) Asset Appraisal by independent Valuer

-None-

(12.) Proxy Form

Please see the enclosure

(13.) Independent Director of the Company who could represent the shareholders in exercising their right to vote.

General Therdsak Marom or Assoc. Prof. Dr.Montri Socatayanurak, who have not any interest in the relevant agenda of the Extraordinary General Meeting of Shareholders No.1/2017

Please be informed accordingly,

Yours sincerely,

East Coast Furnitech Public Company Limited

-Signature-

(Mr. Arak Suksawad)

Managing Director

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