

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements
December 31, 2017 and 2016

1. GENERAL

East Coast Furnitech Public Company Limited (“the Company”), formerly East Coast Furnitech Co., Ltd., was registered as a limited company in Thailand on October 12, 1999. The Company was transformed from being juristic person as a limited company under the Civil and Commercial Code to a limited public company under the Public Limited Companies Act B.E. 2535 on October 18, 2012 and was registered in the Market for Alternative Investment on March 26, 2013. The Company is engaged in manufacturing and sales of self-assembled furniture made from particle board, rubber wood furniture, dried sawn lumbers, laminating papers, and furniture-decorating supplies for domestic and international markets.

The Company’s head office is located at 37/9 Moo 3 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong 21110. The Company’s total number of branches is 18 which comprise 5 branches located in Nonthaburi, 2 branches in Bangkok and Nakhon Ratchasima, and a branch in Rayong, Pathumthani, Chonburi, Chiangmai, Chachoengsao, Surat Thani, Songkhla, Pattaya and Samut Prakan.

VV-Décor Co., Ltd. (“VVD”), the subsidiary of which shares are held at 99.95% by the Company, was registered a limited company in Thailand on May 11, 2011 and is engaged in sales of laminating papers and furniture-decorating supplies in domestic market. The registered office of the subsidiary is located at 25/28 Moo 12 Tambon Bungkamproy, Amphur Lamlukka, Pathumthani.

ECF Holdings Co., Ltd. (“ECF-H”), the subsidiary of which shares are held at 75% by the Company, was registered a limited company in Thailand on February 23, 2015 and is engaged in retail shops for sundry goods imported from abroad. The registered office of the subsidiary is located at 37/4 Moo 10 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong.

ECF Power Co., Ltd. (“ECF-P”), the subsidiary of which shares are held at 99.99% by the Company, was registered a limited company in Thailand on January 16, 2017 and is engaged as holding company in energy business e.g. biomass or solar energy. The registered office of the subsidiary is located at 37/7 Moo 10 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong (see Note 10).

Planet Board Co., Ltd. (“PNB”), the subsidiary of which shares are held at 99.99% by the Company, was registered a limited company in Thailand on December 19, 2017 and is engaged in manufacturing and sales of wood-base panel, i.e. MDF board and particle board. The registered office of the subsidiary is located at 25/28 Moo 12 Tambon Bungkamproy, Amphur Lamlukka, Pathumthani (see Note 10).

2. BASIS FOR THE FINANCIAL STATEMENT PREPARATION

The accompanying financial statements are prepared in Thai Baht, which is core functional currency of the Group, and in the Thai language in accordance with the financial reporting standards in Thailand including interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”), applicable rules and regulations of the Securities and Exchange Commission. Accordingly, the accompanying financial statements are intended solely to present the financial position, financial performance, and cash flows in accordance with the financial reporting standards in Thailand.

Except as otherwise disclosed in the significant accounting policies, the accompanying financial statements have been prepared under the historical cost convention.

The consolidated financial statements for the years ended December 31, 2017 and 2016 included the accounts of the Company and its subsidiaries in which the Company has the controlling power or direct / indirect shareholding as follows:

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Name of Subsidiaries	Type of Business	Country of Incorporation and Operation	Percentage of Shareholding	
			2017	2016
VV-Décor Co., Ltd.	Sales of laminating papers and furniture- decorating supplies	Thailand	99.95	99.95
ECF Holdings Co., Ltd.	Retail shops for sundry goods imported from abroad	Thailand	75.00	75.00
ECF Power Co., Ltd.	Holding company in energy business	Thailand	99.99	-
Planet Board Co., Ltd	Manufacturing and sales of wood-base panel, i.e. MDF board and particle board	Thailand	99.99	-

Significant intercompany transactions between the Company and its subsidiaries included in the consolidated financial statements have been eliminated.

Starting from January 1, 2017, the Group had adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Interpretation (TSIC), and Thai Financial Reporting Interpretation (TFRIC), revised by FAP, which became effective from the accounting period starting on or after January 1, 2017. The aforesaid adoption of revised TAS and TFRS as well as TSIC and TFRIC did not have any material effect on the Group.

Subsequently, FAP issued several Notifications which were announced in the Royal Gazette in September 2017 regarding the revision of aforesaid TAS and TFRS as well as TSIC and TFRIC with effective from the accounting period starting on or after January 1, 2018 whereby the Group had not yet adopted in the preparation of the accompanying financial statements and has no policy to early adopt before effective period. Such revised TAS and TFRS as well as TSIC and TFRIC are as follows:

TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 2 (revised 2017)	Inventories
TAS 7 (revised 2017)	Statement of Cash Flows
TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events after the Reporting Period
TAS 11 (revised 2017)	Construction Contracts
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 20 (revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2017)	Borrowing Costs
TAS 24 (revised 2017)	Related Party Disclosures
TAS 26 (revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2017)	Separate Financial Statements
TAS 28 (revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2017)	Earnings per Share
TAS 34 (revised 2017)	Interim Financial Reporting

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TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible Assets
TAS 40 (revised 2017)	Investment Property
TAS 41 (revised 2017)	Agriculture
TFRS 2 (revised 2017)	Share-based Payment
TFRS 3 (revised 2017)	Business Combinations
TFRS 4 (revised 2017)	Insurance Contracts
TFRS 5 (revised 2017)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2017)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2017)	Operating Segments
TFRS 10 (revised 2017)	Consolidated Financial Statements
TFRS 11 (revised 2017)	Joint Arrangements
TFRS 12 (revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2017)	Fair Value Measurement
TSIC 10 (revised 2017)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2017)	Operating Leases - Incentives
TSIC 25 (revised 2017)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2017)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (revised 2017)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2017)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2017)	Applying the Restatement Approach under TAS 29 (revised 2017) "Financial Reporting in Hyperinflationary Economies"
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2017)	Service Concession Arrangements
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 14 (revised 2017)	TAS 19 (revised 2017) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2017)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TFRIC 20 (revised 2017)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2017)	Levies

Management of the Group has preliminarily assessed and believed that there will be no material effect to the financial statements of the Group upon adoption of the aforesaid revised TAS and TFRS as well as TSIC and TFRIC.

The Company and its subsidiaries disclosed information for the year ended December 31, 2016 for being the comparative information in the financial statements for the year ended December 31, 2017 in the form of corresponding figures.

For convenience of the readers, an English translation of the financial statements has been prepared from the Thai language statutory financial statements that are issued for domestic financial reporting purposes.

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3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (“the Group”).

Significant intercompany transactions between the Company and its subsidiaries included in the consolidated financial statements have been eliminated.

Subsidiary is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies as well as the variable returns of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When an entity loses control of a subsidiary, investment retained in the former subsidiary is measured at its fair value while any gain or loss is recognized in the statement of comprehensive income.

Foreign Currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to Thai Baht at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies which are carried under historical cost convention are translated to Thai Baht at the exchange rates ruling at the dates of the transactions.

Investment in Associates

Investment in associates in the consolidated financial statements is accounted for using the equity method.

Associates are those companies in which the Company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Company's share of profit or loss of associates, on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of loss exceeds its interest in any associate, the investment in such associate shall be reduced to nil and recognition of further loss shall be ceased except to the extent that the Company has legal or constructive obligations or consents to settle the obligations on behalf of the associate.

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Current Investment

Current investment is investment in unit trusts which is held by the Company as trading securities and stated at fair value. Gains or losses arising from changes in the fair value of investment or sales of investment are included as profit or loss in statement of comprehensive income. In case the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold and the part still remained is determined using the weighted average method applied to the carrying amount of the total holding of the investment.

Fair value of unit trusts is determined from the net asset value of mutual fund that issued the particular unit trust which is the Level 1 inputs of the fair value hierarchy.

Use of Estimates

In order to prepare financial statements in conformity with the Thai financial reporting standards, management needs to make estimates and set assumptions that affect income, expenditure, assets and liabilities in order to disclose information on the valuation of assets, liabilities and contingent liabilities. Actual outcomes may, therefore, differ from the estimates used.

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and underlying assumptions used in preparation of these financial statements which may be affected by significant uncertainty are as follows:

- Allowance for doubtful accounts of trade receivables and other receivables
- Net realizable value and allowance for losses on diminution in value of inventories
- Allowance for impairment of plant and equipment
- Useful lives and residual values of building and equipment and intangible assets
- Assumptions used in calculation of liability for post-employment benefits
- Expected periods that deferred tax assets will be realized or deferred tax liabilities will be settled
- Fair values and fair value measurements of financial assets, financial liabilities and financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost include cash on hand and cash at financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and without restriction of use or being collateral and that are subject to a low or an insignificant risk of change in value.

Restricted deposits at banks or being collateral were separately presented as “Restricted deposits at banks” under non-current assets in the statements of financial position.

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Trade Receivables, Other Receivables, and Allowance for Doubtful Accounts

Trade and other receivables are carried at original invoice amount or at the accrued amount net of allowance for doubtful accounts.

Allowance for doubtful accounts equals to the estimated collection losses that may be incurred in the collection of receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of existing receivables.

Inventories

Inventories are valued at the lower of cost net of allowance for diminution in value of obsolete and slow-moving inventories and net realizable value. Cost is calculated and determined using the First-In, First-Out method.

Costs of inventories comprise the purchase cost, conversion costs, and other costs incurred in bringing the inventories to their present location and condition. In case of own-manufactured inventories and work in process, costs of inventories include the appropriate allocation of production overheads which is based on the normal capacity of production facilities

Net realizable value is the estimate of the selling price in the ordinary course of business less necessary costs to sell.

The Group determines the allowance for diminution in value of obsolete and slow-moving inventories based on the consideration of the inventory condition and the historical experiences.

Investment in Held-to-Maturity Debt Securities

Debt securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity debt securities in the statement of financial position. The Company accounts for and presents value for this investment at the amortized cost net of allowance for impairment (if any).

Property, Plant and Equipment

Other fixed assets except land, building and building improvement, and machinery and equipment are stated at cost net of accumulated depreciation and allowance for impairment (if any). When assets are retired or disposed of, their carrying values are eliminated from the accounts and any gain or loss resulting from their retirement or disposal is included in the statement of comprehensive income. Costs of asset dismantlement, removal, and restoration are included as part of asset cost and subject to depreciation.

Land, building and building improvement, and machinery and equipment are stated at the revalued amounts, appraised by independent appraiser, net of accumulated depreciation and allowance for impairment. Revaluation in buildings and machinery is shown as "Asset revaluation surplus" with the corresponding separate accounts under "Shareholders' Equity" in the statements of financial position. When assets are retired or disposed of, their carrying values are eliminated from the accounts and any gain or loss resulting from their retirement or disposal is included in the statement of comprehensive income whereby the related revaluation surplus on assets will be directly transferred to the unappropriated retained earnings.

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The Group has a policy to reappraise the appraised assets whenever the fair values of such assets materially change from their carrying values or every period of five years. The appraisal value is Level 2 inputs of fair value hierarchy which Cost Approach was used as valuation technique and core information used in evaluation was purchase-sale prices of comparative asset in same / nearby area for land and machinery while core information used in evaluation was the adjusted or depreciated cost which was based on replacement cost of comparative asset in the same or nearby area for building and building improvement.

Depreciation is charged to the statement of comprehensive income on a straight-line method over the useful lives of each significant part of an item of assets. Depreciation methods, residual values, and useful lives are reviewed at each financial year-end, at least, and adjusted if appropriate. In determining the depreciable amount, residual value of particular asset is measured at amount estimated receivable currently for the asset if the asset is already of the age and in the condition expected at the end of its useful life. The useful lives of the assets are as follows:

	<u>No. of Years</u>
Land improvement	5
Building and building improvement	20
Machinery and equipment	3 - 15
Electric system	5
Furniture, fixtures and office equipment	5
Showroom equipment	3
Vehicles	5
Utilities	5

Intangible Assets

Intangible assets are computer programs that are stated at cost net of accumulated amortization and allowance for impairment (if any). Amortization is made on a straight-line method over the useful lives of the assets of 5 years.

Amortization

Amortization is charged as part of distribution costs and administrative expenses in the statement of comprehensive income on the straight-line method over the useful life of each type of intangible asset. Intangible assets with an indefinite useful life (if any) are not amortized but are tested for indication of impairment at each reporting date. Amortization methods, residual values, and useful lives are reviewed at least at each financial year-end and adjusted if appropriate.

Decoration Costs of Showrooms

Decoration costs of showrooms presented as non-current assets in the statement of financial position at cost net of accumulated amortization and allowance for impairment (if any). Amortization of decoration costs of showrooms is made over the term of space lease agreements of 3 years.

Impairment of Assets

The carrying amounts of the assets of the Group are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts (the higher of asset's fair value less cost to sell or value in use) shall be estimated and reviewed. The review is made for individual assets or for the cash-generating unit.

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In case that the carrying value of an asset exceeds its recoverable amount, the Group recognize the impairment loss by reducing the carrying value of the asset to be at its recoverable amount and recording the devaluation in the statements of comprehensive income or reducing the revaluation surplus in assets if those assets were previously revalued. The reversal of the recognized impairment losses are recorded as part of other income or as a revaluation surplus in assets when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased. The reversal of the impairment losses shall not exceed the carrying amount of the asset, net of depreciation or amortization, that would have been determined had no impairment losses been recognized for the asset in prior years. In addition, a reversal of an impairment loss on a revalued asset is recognized in other comprehensive income and increase the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognized in profit or loss in previous years, a reversal of that impairment loss is also recognized in profit or loss and shall not exceed the impairment loss recognized in previous years.

Trade and Other Payables

Trade and other payables are stated at cost.

Finance Lease

Leases or hire purchases of assets which the lessee is transferred all the risks and rewards of ownership and that the lessee intends to exercise the option of the leases to purchase the assets at the expiration of the lease term are classified as finance leases. Finance leases are capitalized for asset and liability at the inception of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased assets. Each lease payment is allocated between the liability and finance charges so as to achieve an effective rate on the finance balance outstanding.

The Group accounts for gain on sales and finance leaseback of asset (selling price is greater than carrying value) as deferred item presented under non-current liabilities in the statement of financial position and recognized as other income in the statement of comprehensive income by the straight-line basis over the lease term. Loss on sales and finance leaseback is immediately recognized as expense in the statement of comprehensive income.

Operating Lease

Leases of assets which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on the straight-line basis over the lease term.

Employee Benefits

Short-term benefits

Salaries, wages, bonuses and contributions to social security fund are recognized as an expense upon their occurrences and on an accrual basis.

Post-employment benefits

Obligations on defined contribution plan which is the provident fund are recognized as an expense in the statement of comprehensive income when contribution to the fund on an accrual basis.

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Obligations on post-employment benefits which are defined benefit plan that will be settled to the employees upon retirement or termination are calculated by estimating the amount of future benefits that employees have earned in return for their service in the prior and current periods. The benefits are discounted using the project unit credit method to determine present value of obligations. The calculation is annually performed or at least every three years by the qualified actuary. Expenses from the liability for post-employment benefits comprise current service cost and interest cost which are recognized as profit or loss whereas actuarial gain/loss on measurement is recognized as other comprehensive income or loss.

Surplus on Business Combination under Common Control

Business combination under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same persons, group of persons, entity, or group of entities both before and after the business combination, and that control is not transitory.

Unrealized gain or loss on internal restructuring of the entities under common control is the difference between the carrying amounts of the obtained assets and the purchase costs of the assets incurred on internal restructuring of the entity of group of entities under common control whereby such purchase of assets is the combination of the entities under the same shareholders and management. Such unrealized gain or loss is presented as “Surplus on business combination under common control” which is separately presented under other components of equity in the statement of financial position. When the assets relating to surplus on business combination under common control are retired or disposed of, the corresponding surplus on business combination under common control is directly transferred to the unappropriated retained earnings.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales are recognized net of discounts when delivery has taken place and transfer of risks and rewards of ownership to the buyer has been completed.

Service income is recognized when the Company has completely rendered service to the customer and on an accrual basis.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Other income is recognized on an accrual basis.

Expense Recognition

Expenses are recognized on an accrual basis.

Borrowing Costs

Interest and financial charges on liabilities acquired for construction of building and installation of machinery and equipment is capitalized as part of the cost of the asset. The capitalization of such finance costs is ceased when the construction or installation are completed and ready for their intended use.

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Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from the operating activities. Derivative financial instruments are not used for any trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, they are re-measured at fair value. Gain or loss on re-measurement to fair value is recognized in the statement of comprehensive income.

The fair value of derivative financial instruments is the quoted market price at the statement of financial position date, which is the Level 2 inputs of the fair value hierarchy whereby such price is the present value of the quoted derivative price where market approach was used as valuation technique and core information used in evaluation was the adjusted exchange rates in market to fit for the issued instrument which was computed by bank who was the counterparty.

Provisions

A provision is recognized in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Income Tax

Income tax on the profit or loss for the year, which is recognized in the statement of comprehensive income, is current tax and deferred tax.

Current tax

Current tax is the amount of tax payable or recoverable which is calculated from taxable profit or loss for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets and liabilities that affect neither accounting nor taxable profit to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, at the tax rates that are expected to apply to the period when the deferred tax asset is realized or the tax liability is settled based on tax rates that have been enacted as at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Principal market is the market with the greatest volume and level of activity for the asset or liability. Market participants comprise buyers and sellers in the principal or most advantageous market for the asset or liability whereby market participants are independent of each other, knowledgeable and having a reasonable understanding, able to enter into a transaction for the asset or liability, and willing to enter into a transaction for the asset or liability.

To increase the consistency and comparability in fair value measurements and related disclosures in the financial statements, the fair value hierarchy is categorized into 3 levels with respect of the inputs to valuation techniques used to measure the fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1 inputs”), secondary priority to other observable inputs (“Level 2 inputs”), and the lowest priority to unobservable inputs (“Level 3 inputs”).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

4. TRANSACTIONS WITH RELATED PARTIES

Related parties are those parties controlled by the Company or have power control over the Company, directly or indirectly or significant influence, to govern the financial and operating policies of the Company.

Types of relationship of related parties are as follows:

<u>Name of Companies / Persons</u>	<u>Type of Business</u>	<u>Type of Relationship</u>
VV-Décor Co., Ltd.	Sales of laminating papers and furniture-decorating supplies	Subsidiary
ECF Holdings Co., Ltd.	Retailers on sundry goods imported from abroad	Subsidiary
ECF Power Co., Ltd.	Holding company in energy business	Subsidiary
Planet Board Co., Ltd.	Manufacturing and sales of wood-base panel, i.e. MDF board and particle board	Subsidiary
Safe Energy Holdings Co., Ltd.	Holding company in energy business	Associate
Green Earth Power (Thailand) Co., Ltd.	Holding company in energy business	Associate
Prize of Wood Green Energy Co, Ltd.	Manufacturing and sales of electricity generated from biomass fuel	Subsidiary of associate and co-directors
GEP (Myanmar) Company Limited (incorporated and operated in Myanmar)	Manufacturing and sales of electricity generated from solar power	Subsidiary of associate and co-directors
Bina Puri Power (Thailand) Co., Ltd.	Manufacturing and sales of electricity generated from biomass fuel	Subsidiary of associate

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<u>Name of Companies / Persons</u>	<u>Type of Business</u>	<u>Type of Relationship</u>
Safe Biomass Co., Ltd.	Wood chip plant for use as fuel for biomass power plant	Subsidiary of associate
Safe Energy Group (Narathiwat 1) Co., Ltd.	Biomass power plant	Associate (see Note 11)
Safe Energy Group (Yala 1) Co., Ltd.	Biomass power plant	Associate (see Note 11)
Safe Energy Group (Pattani) Co., Ltd.	Biomass power plant	Associate (see Note 11)
Safe Energy Group (Songkhla) Co., Ltd.	Biomass power plant	Associate (see Note 11)
East Cost Design Co., Ltd.	Manufacturing and sales of furniture	Co-directors and co-shareholders
East Coast Industry Co., Ltd.	Sales of furniture	Co-directors and co-shareholders
V-Chat Décor Co., Ltd.	Manufacturing and sales of laminating papers	Co-directors and co-shareholders
V-Chat Industry Co., Ltd.	Manufacturing and sales of dried sawn lumbers	Co-directors and co-shareholders
Index Living Mall Co., Ltd.	Sales of furniture	Directors are spouse
Index Interfurn Co., Ltd.	Manufacturing and sales of furniture	Directors are spouse
Khun Wallop Suksawad	-	Shareholder and director (key management)
Khun Varaporn Suksawad	-	Shareholder and director (key management)
Khun Chalee Suksawad	-	Shareholder and director (key management)
Khun Arak Suksawad	-	Shareholder and director (key management)
Khun Tippawan Suksawad	-	Shareholder and director (key management)
General Terdsak Marrome	-	Director (key management)
Khun Montee Socratianurak	-	Director (key management)
Khun Songklod Jarusombuti	-	Director (key management)
Khun Ekarin Vasanasong	-	Director (key management)

Key management are persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including the Company's director (whether as executive or otherwise).

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Pricing policies for transactions with related parties are as follows:

Type of Transaction	Pricing Policies
Sales of products	Prices approximated market prices
Interest income / interest expense	MOR
Space rental income	Mutually agreed price
Purchases of raw materials / inventories	Prices approximated market prices
Advertising and sales promotions	Prices approximated market prices
Showroom rental and service charges	Mutually agreed price
Decoration costs of showrooms	Mutually agreed price
Key management's remunerations	Mutually agreed amount
Guarantee of credit facilities by directors	No guarantee charge

Significant transactions with related parties for the years ended December 31, 2017 and 2016 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Sales of products				
Subsidiary	-	-	19,294	22,892
Related companies	25,104	28,038	25,104	28,038
Total	25,104	28,038	44,398	50,930
Interest income				
Subsidiary	-	-	50	110
Associate	25	-	-	-
Total	25	-	50	110
Space rental income				
Subsidiary	-	-	10	8
Purchase of raw materials / inventories				
Subsidiary	-	-	42	-
Related company	1,046	734	1,046	734
Total	1,046	734	1,088	734
Advertising and sales promotions				
Subsidiary	-	-	-	100
Showroom rental and service charges				
Related company	19,918	20,714	19,918	20,714
Decoration costs of showrooms (recorded as other non-current assets)				
Related companies	905	2,430	905	2,430
Interest expense				
Subsidiary	-	-	229	78
Related parties	303	-	290	-
Total	303	-	519	78

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Key management's remunerations				
Short-term benefits	23,426	24,779	23,426	24,779
Post-employment benefits	476	722	476	722
Total	23,902	25,501	23,902	25,501

Significant outstanding balances with related parties as at December 31, 2017 and 2016 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Trade receivables				
Subsidiary	-	-	8,406	7,766
Related companies	5,933	8,089	5,932	8,089
Total	5,933	8,089	14,338	15,855
Short-term loans and interest receivable				
Interest receivable				
Associate	25	-	-	-
Short-term loans				
Associate (interest rate at 5% p.a. and due at call)	1,161	-	-	-
Total	1,186	-	-	-
Advance for share subscription				
Subsidiary	-	-	-	50,000
Associate	58,398	50,000	-	-
Total	58,398	50,000	-	50,000
Deposits / guarantees on rental and services for showrooms				
Related company	4,879	4,925	4,879	4,925
Trade payables				
Related company	-	193	-	193
Other payables				
Subsidiary	-	-	13	23
Related companies	1,522	1,964	1,521	1,964
Total	1,522	1,964	1,534	1,987

Movements of short-term loans to and from related parties during the year are as follows:

	Consolidated (In Thousand Baht)			December 31, 2017
	December 31, 2016	Movements during the year		
		Increase	Decrease	
Short-term loans to				
Green Earth Power (Thailand) Co., Ltd.	-	1,161	-	1,161
Short-term loans from				
Directors	-	65,000	65,000	-

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

	Separate Financial Statement (In Thousand Baht)			
	December 31, 2016	Movements during the year		December 31, 2017
		Increase	Decrease	
Short-term loans to ECF Power Co., Ltd.	-	7,000	7,000	-
Short-term loans from ECF Holdings Co., Ltd.	-	23,000	23,000	-
ECF Power Co., Ltd.	-	45,000	45,000	-
Director	-	63,000	63,000	-
Total	-	131,000	131,000	-

5. TRADE RECEIVABLES

As at December 31, 2017 and 2016, trade receivables classified by outstanding period are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
<i><u>Related companies</u></i>				
Current	4,103	5,075	7,946	10,900
Overdue :				
Not exceeding 3 months	1,817	3,001	6,379	4,942
Over 12 months	13	13	13	13
Total	5,933	8,089	14,338	15,855
<i><u>Other companies - net</u></i>				
Current	206,206	157,730	203,831	154,546
Overdue :				
Not exceeding 3 months	59,431	31,037	55,434	27,963
Between 3 months - 6 months	8,667	4,107	9,530	3,768
Between 6 months - 12 months	5,749	1,006	4,492	528
Over 12 months	5,868	3,338	4,297	2,261
Total	285,921	197,218	277,584	189,066
Less Allowance for doubtful accounts	(2,410)	(2,203)	(1,307)	(1,169)
Net	283,511	195,015	276,277	187,897

As at December 31, 2017 and 2016, the Company discounted, under factoring, its trade receivables amounting to approximately Baht 150.58 million and Baht 89.05 million, respectively, with three and two local financial institutions (under credit facilities totalling Baht 275 million and Baht 195 million), respectively, whereby such financial institutions can take recourse action on the Company amounting to approximately Baht 115.70 million and Baht 60.24 million, respectively. The Company presented such amounts of obligation under the recourse action as “Factoring payables” in the statements of financial position.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

6. CURRENT INVESTMENT

	Consolidated and Separate Financial Statement	
	(In Thousand Baht)	
	2017	2016
Unit trusts of mutual funds - at cost	-	75,058
Add Unrealized gain on valuation of fair value of investment	-	254
Total	-	75,312

7. INVENTORIES - NET

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Finished goods	301,141	217,803	292,343	206,581
Work-in-process	586,205	446,296	586,205	446,296
Raw materials	69,172	50,586	69,172	50,586
Factory supplies	40,720	36,191	40,720	36,191
Inventories in transit	4,434	11,678	4,434	11,678
Total	1,001,672	762,554	992,874	751,332
Less Allowance for diminution in value of obsolete and slow moving inventories	(3,056)	(5,759)	(3,056)	(5,759)
Net	998,616	756,795	989,818	745,573

As at December 31, 2017 and 2016, the written-down amount of cost to net realizable value which was recognized as part of cost of sales in the statements of comprehensive income for the years ended December 31, 2017 and 2016 amounting to approximately Baht 7.2 million and Baht 5.1 million, respectively.

8. LOAN TO OTHER PARTY

This account represented loan for a period not exceeding 15 years to Inter Far East Energy Corporation Public Company Limited (interest at 6.25% p.a., due within March 2019 and secured by common shares of borrower's subsidiary) in the form of deposit for feasibility study of investment in the 1-Megawatt solar power plant project of CR Solar Co., Ltd. "CRS", located at Amphur Thern in Lampang province, instead of investment in the biomass power plant project of True Energy Power Lopburi Co., Ltd. "TRUE-P" whereby the Company completed its feasibility study but was unsuccessful in negotiation for investment. Accordingly, the Company decided to do the feasibility study for solar power plant project of CRS instead (both CRS and TRUE-P are subsidiaries of the borrower). On December 22, 2017, the Company, borrower, and CRS entered into the Memorandum of Understanding for determining the condition that such loan and related interest receivable will be able to use as deposit on future settlement of the price on purchase-sale of the business if the Company is satisfied by outcome of the feasibility study and decides to invest. As at December 31, 2017, the Company has been during the process of feasibility study as well as due diligence for the appropriate value of the project whereby such loan has been charged for interest until its maturity period is reached or the condition under such Memorandum of Understanding is fulfilled.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

9. RESTRICTED DEPOSITS AT BANKS

As at December 31, 2017 and 2016, the Company has collateralized its fixed deposits with two local banks and a local bank amounting to approximately Baht 72 million and Baht 30 million, respectively, as guarantees for its short-term loan facilities with such banks.

10. INVESTMENT IN SUBSIDIARY ACCOUNTED FOR USING THE COST METHOD

	Separate Financial Statement					
	Authorized and Paid-up Share Capital (In Thousand Baht)		Percentage of Shareholding		Cost of Investment (In Thousand Baht)	
	2017	2016	2017	2016	2017	2016
VV-Decor Co., Ltd.	1,000	1,000	99.95	99.95	1,000	1,000
ECF Holdings Co., Ltd.	10,000	10,000	75.00	75.00	7,500	7,500
ECF Power Co., Ltd.	522,653	-	99.99	-	516,952	-
Planet Board Co., Ltd.	50,000	-	99.99	-	12,500	-
Total					<u>537,952</u>	<u>8,500</u>

During 2017 and 2016, the subsidiaries did not declare any dividends to the shareholders.

On January 12, 2017, the Board of Directors passed the resolution to approve the establishment of an additional subsidiary i.e. ECF-P in order to engage as holding company in other entities doing the energy business e.g. biomass power or solar power. ECF-P was incorporated on January 16, 2017 with authorized share capital of Baht 1 million (divided into 100,000 common shares, Baht 10 par value) whereby the Company has a percentage of shareholding in ECF-P of 99.99% whereas the rest is held by five shareholders and directors of the Company. Subsequently, at the extraordinary shareholders' meeting of ECF-P on March 13, 2017, the shareholders passed the resolution to approve the increase in authorized share capital of ECF-P amounting to Baht 141.7 million (from Baht 1 million to Baht 142.7 million) which was the increase in share capital with respect to the existing proportion of the shareholders. ECF-P fully called for this share subscription in April 2017 and registered this increase in share capital with the Ministry of Commerce on April 20, 2017.

Subsequently, at the extraordinary shareholders' meeting of ECF-P on July 3, 2017, the shareholders passed the resolution to approve the increase in authorized share capital of ECF-P amounting to Baht 380 million (from approximately Baht 142.7 million to Baht 522.7 million). ECF-P increased its share capital and registered this increase in share capital with the Ministry of Commerce on July 7, 2017.

During 2017, ECF-P has used its 30,907 share certificates (60% of the entire shares invested) of investment in Green Earth Power (Thailand) Co., Ltd. (see Note 11) as the guarantee for payments of construction costs of the solar power plant project in Myanmar of GEP (Myanmar) Company Limited to two subsidiaries of Vintage Engineering Public Company Limited who are the construction contractors. This matter was made with respect to the payment condition of such project that payments shall be made after the completion of construction works.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

In addition, at the Board of Directors' meeting on October 27, 2017, the Board of Directors passed the resolution to approve the establishment of a new subsidiary (the fourth subsidiary) i.e. PNB in order to engage in manufacturing and sales of wood-based panel, i.e. MDF board and particle board, with production capacity of 600-800 cubic meter per day. PNB was incorporated on December 19, 2017 with authorized share capital of Baht 50 million (divided into 10,000,000 common shares, Baht 5 par value) whereby the Company has percentage of shareholding in PNB of 99.99% whereas the rest is held by five shareholders and directors of the Company.

Subsequently, at the Board of Directors' meeting on January 23, 2018, the Board of Directors passed the resolution to approve the change in the shareholding structure of PNB with the sales of existing shares held by the Company in PNB of 4,300,000 shares or 43% of the entire shares issued to relatives of related persons and to non-related persons in total amount of approximately Baht 5.4 million which was based on the paid-up share value.

Significant financial information in the financial statements for the years 2017 and 2016 of ECF-H which included the non-controlling interest at the proportion of 25% is as follows:

	In Million Baht	
	2017	2016
Other current assets	13.9	67.8
Other non-current assets	13.7	22.0
Other current liabilities	38.3	69.5
Other non-current liabilities	5.0	10.3
Shareholders' equity (capital deficiency)	(15.7)	10.0
Sales of goods	16.1	15.3
Dividends and income from liquidation of associate	-	33.6
Other income	0.3	0.4
Profit (loss) for the year	(25.7)	9.9
Total comprehensive income (loss) for the year	(25.7)	9.9

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

11. INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates presented in the consolidated statements of financial position as at December 31, 2017 and 2016 has detail as follows:

	Percentage of Shareholding by Subsidiaries		Consolidated (In Thousand Baht)					
			Authorized Share Capital		Investment Value		Dividends	
	2017	2016	2017	2016	2017	2016	2017	2016
Safe Energy Group (Narathiwat 1) Co., Ltd.	-	25.00	-	20,000	-	4,710	-	-
Safe Energy Group (Yala 1) Co., Ltd.	-	20.00	-	5,000	-	1,025	-	-
Safe Energy Group (Pattani) Co., Ltd.	-	25.00	-	5,000	-	1,282	-	-
Safe Energy Group (Songkhla) Co., Ltd.	-	25.00	-	5,000	-	987	-	-
Safe Energy Holding Co., Ltd.	33.37	-	426,000	-	157,713	-	-	-
Green Earth Power (Thailand) Co., Ltd.	20.00	-	125,756	-	316,980	-	-	-
Total investment in associates					<u>474,693</u>	<u>8,004</u>		

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

In February 2017, ECF-P has invested in its associate, i.e. Safe Energy Holding Company Limited (“SAFE”), which has been established with initial share capital of Baht 1 million as holding company in other entities doing the biomass power plants and as the jointly invested company between the Group and other non-related group of companies. ECF-P has invested in SAFE with percentage of shareholding of 33.37% while the rest is held by other group of companies of 33.37% and major shareholders of Prize of Wood Green Energy Company Limited (“PWGE”) of 33.26%.

On March 13, 2017, the Board of directors passed the resolution to approve SAFE to invest in the biomass power plant project of PWGE, located at Amphur Waeng of Narathiwat province. SAFE has invested in PWGE with 99.99% of the authorized share capital, representing an investment value of not exceeding Baht 425 million, therefore, PWGE is subsidiary of SAFE.

Subsequently, in June 2017, SAFE increased its share capital by Baht 425 million (from Baht 1 million to Baht 426 million) in order to support the investment project in PWGE. As at December 31, 2017, ECF-P has invested in SAFE amounting to approximately Baht 142.2 million.

On August 11, 2017, the extraordinary shareholders’ meeting of SAFE passed the resolution to approve the increase in authorized share capital of Baht 115 million (from approximately Baht 426 million to Baht 581 million) and allocated these incremental shares to the shareholders at the existing proportion of investment. As at December 31, 2017, ECF-P paid advance for share subscription to SAFE amounting to Baht 58.4 million whereby SAFE had not yet registered such increase in share capital. SAFE brought such cash advance to invest in Bina Puri Power (Thailand) Co., Ltd. and Safe Biomass Co., Ltd. at the shareholding proportion of 49% and 99.99%, respectively.

In addition, at the Company’s Board of Directors’ meeting on April 3, 2017, the Board of Director passed the resolution to approve ECF-P’s investment in common shares of Green Earth Power (Thailand) Co., Ltd. (“GEP”) by purchase from the major shareholders of GEP in the proportion of 20% of the entire common shares issued by such company with the initial investment value of approximately Baht 310.05 million (U.S. Dollar 9 million). In the future, GEP will increase its share capital to support the investment in construction of power plant and production of the electric power for sales of its subsidiary (100% held by GEP), i.e. GEP (Myanmar) Company Limited (“GEPM”), whereby the project will be separated into 4 phases until reaching full capacity of 220 megawatts. According to such increase in share capital, ECF-P shall additionally invest in the future for its portion amounting to approximately Baht 696.58 million (U.S. Dollar 20.22 million) during 2018 to 2021. GEP is engaged as a holding and management company in the 220-megawatt solar power plant project of GEPM which is located in Minbu province, Myanmar. As at December 31, 2017, ECF-P has invested in GEP amounting to approximately Baht 311.5 million and had commitment from the increase in share capital of GEP in 2017 that will be additionally paid of approximately Baht 12.21 million.

During the three-month period ended March 31, 2017, four associates, i.e. Safe Energy Group (Narathiwat 1) Co., Ltd., Safe Energy Group (Yala 1) Co., Ltd., Safe Energy Group (Pattani) Co., Ltd., and Safe Energy Group (Songkhla) Co., Ltd., were completed their liquidation and registered their liquidation in April 2017 after the registration for cease of their businesses in December 2016 whereby the remaining investments in their share capital were entirely returned to the Company in such period.

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Notes to Financial Statements (Continued)
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Significant financial information in the consolidated financial statements for the year 2017 of GEP and SAFE, which are material to the Group, is as follows:

	In Million Baht	
	GEP	SAFE
Other current assets	175.0	80.6
Other non-current assets	342.8	904.8
Other current liabilities	258.9	346.2
Other non-current liabilities	0.3	166.6
Revenues	100.4	105.9
Profit (loss) for the year	(4.2)	46.5
Total comprehensive income (loss) for the year	(8.5)	46.7
Shareholders' equity	258.6	472.6
The Group's interest at the investment proportion in associates	51.7	157.7
Purchase price of investment in excess of the Group's interest	265.3	-
Carrying amount of investment in which equity method is applied	317.0	157.7

12. INVESTMENT IN HELD-TO-MATURITY DEBT SECURITIES

This account was investment in the non-marketable subordinated debentures of two local banks that will entirely mature in 2022 whereby the banks have an option to early redeem these debentures after the period of five years. These debentures annually pay interest at 4.5% p.a. and 4.375% p.a. The Company had intention to hold these debentures until their maturities or, at least, when the banks early redeem the debentures. The Company purchased these debentures in May and December 2012 at cost equivalent to the face value. In 2017, the issuer banks early redeemed the entire debentures.

As at December 31, 2016, fair value of the aforesaid investment amounted to approximately Baht 2.0 million, which was the Level 1 input of the fair value hierarchy.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

13. PROPERTY, PLANT AND EQUIPMENT - NET

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2017
	Beginning Balance as at January 1, 2017	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,883	143	-	-	9,026
Building	135,849	-	-	-	135,849
Building improvement	43,134	297	-	721	44,152
Machinery and equipment	338,796	3,428	-	3,014	345,238
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	14,028	1,311	6	-	15,333
Furniture, fixtures and Showroom equipment	2,907	848	339	-	3,416
Vehicle	65,574	9,903	748	-	74,729
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	3,299	27,321	-	(4,070)	26,550
Total Cost	715,199	43,251	1,093	(335)	757,022
Accumulated Depreciation					
Land improvement	7,896	552	-	-	8,448
Building	39,530	6,793	-	-	46,323
Building improvement	11,189	2,545	-	-	13,734
Machinery and equipment	240,472	21,092	-	-	261,564
Electric system	1,971	124	-	-	2,095
Furniture, fixtures and office equipment	7,363	2,365	1	-	9,727
Furniture, fixtures and Showroom equipment	416	686	97	-	1,005
Vehicle	45,368	9,061	747	-	53,682
Utilities	3,765	128	-	-	3,893
Total Accumulated Depreciation	357,970	43,346	845	-	400,471
Allowance for Impairment					
Buildings and building improvement	2,527	-	-	-	2,527
Machinery and equipment	2,932	-	-	-	2,932
Total Allowance for Impairment	5,459	-	-	-	5,459
Net	351,770				351,092

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

	Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2017
	Beginning Balance as at January 1,	Movements During the Year			
	2017	Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,883	143	-	-	9,026
Building	135,849	-	-	-	135,849
Building improvement	43,134	297	-	721	44,152
Machinery and equipment	338,144	3,428	-	3,014	344,586
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	13,278	1,237	-	-	14,515
Vehicle	65,574	9,903	748	-	74,729
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	2,964	27,321	-	(3,735)	26,550
Total Cost	710,555	42,329	748	-	752,136
Accumulated Depreciation					
Land improvement	7,896	552	-	-	8,448
Building	39,530	6,793	-	-	46,323
Building improvement	11,189	2,545	-	-	13,734
Machinery and equipment	240,341	20,962	-	-	261,303
Electric system	1,971	124	-	-	2,095
Furniture, fixtures and office equipment	7,215	2,202	-	-	9,417
Vehicle	45,368	9,061	747	-	53,682
Utilities	3,765	128	-	-	3,893
Total Accumulated Depreciation	357,275	42,367	747	-	398,895
Allowance for Impairment					
Buildings and building improvement	2,527	-	-	-	2,527
Machinery and equipment	2,932	-	-	-	2,932
Total Allowance for Impairment	5,459	-	-	-	5,459
Net	347,821				347,782

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	108	-	327	8,883
Building	135,849	-	-	-	135,849
Building improvement	42,882	131	-	121	43,134
Machinery and equipment	316,085	22,121	-	590	338,796
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	10,810	3,197	9	30	14,028
Furniture, fixtures and Showroom equipment	-	1,672	-	1,235	2,907
Vehicle	68,173	9,153	11,752	-	65,574
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	1,055	4,547	-	(2,303)	3,299
Total Cost	<u>686,031</u>	<u>40,929</u>	<u>11,761</u>	<u>-</u>	<u>715,199</u>
Accumulated Depreciation					
Land improvement	6,554	1,342	-	-	7,896
Building	32,739	6,791	-	-	39,530
Building improvement	8,665	2,524	-	-	11,189
Machinery and equipment	219,354	21,118	-	-	240,472
Electric system	1,808	163	-	-	1,971
Furniture, fixtures and office equipment	5,192	2,178	7	-	7,363
Furniture, fixtures and Showroom equipment	-	416	-	-	416
Vehicle	48,270	8,850	11,752	-	45,368
Utilities	2,986	779	-	-	3,765
Total Accumulated Depreciation	<u>325,568</u>	<u>44,161</u>	<u>11,759</u>	<u>-</u>	<u>357,970</u>
Allowance for Impairment					
Buildings and building improvement	-	2,527	-	-	2,527
Machinery and equipment	-	2,932	-	-	2,932
Total Allowance for Impairment	<u>-</u>	<u>5,459</u>	<u>-</u>	<u>-</u>	<u>5,459</u>
Net	<u>360,463</u>				<u>351,770</u>

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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December 31, 2017 and 2016

	Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1,	Movements During the Year			
	2016	Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	108	-	327	8,883
Building	135,849	-	-	-	135,849
Building improvement	42,882	131	-	121	43,134
Machinery and equipment	316,047	22,067	-	30	338,144
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	10,724	2,563	9	-	13,278
Vehicle	68,173	9,153	11,752	-	65,574
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	30	3,412	-	(478)	2,964
Total Cost	684,882	37,434	11,761	-	710,555
Accumulated Depreciation					
Land improvement	6,554	1,342	-	-	7,896
Building	32,739	6,791	-	-	39,530
Building improvement	8,665	2,524	-	-	11,189
Machinery and equipment	219,353	20,988	-	-	240,341
Electric system	1,808	163	-	-	1,971
Furniture, fixtures and office equipment	5,191	2,031	7	-	7,215
Vehicle	48,270	8,850	11,752	-	45,368
Utilities	2,986	779	-	-	3,765
Total Accumulated Depreciation	325,566	43,468	11,759	-	357,275
Allowance for Impairment					
Buildings and building improvement	-	2,527	-	-	2,527
Machinery and equipment	-	2,932	-	-	2,932
Total Allowance for Impairment	-	5,459	-	-	5,459
Net	359,316				347,821

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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Starting from July 2011, the Company has adopted the appraisal value, which is the revaluation model, for measurement of land, building and building improvement and machinery and equipment in order to recognize the significant changes in fair values of assets as compared to carrying amounts. Cost Approach was used in the appraisal.

Subsequently, during October to November 2016, the Company arranged the reappraisals of its land, building and building improvement, and machinery and equipment. The independent appraiser, chosen by the Company for these reappraisals, was Pornsiam Consultant and Service Co., Ltd. who used the Cost Approach in their reappraisals.

The outcome of these reappraisals in 2016 (before the effect of deferred tax liabilities) resulted in the increase (decrease) in revaluation surplus of land, building and building improvement and machinery and equipment as well as impairment loss and allowance for impairment as follows:

	Consolidated and Separate Financial Statement (In Thousand Baht)			
	Revaluation from Reappraisals	Accumulated Depreciation	Net	Allowance for Impairment
Land	38,451	-	38,451	-
Building and building improvement	174,486	(107,569)	66,917	(2,527)
Machinery and equipment	227,784	(125,161)	102,623	(2,932)
Total	440,721	(232,730)	207,991	(5,459)

The Company presented the loss on impairment of aforesaid assets as part of administrative expenses for the year ended December 31, 2016.

The revaluation surplus on land, building and building improvement, machinery and equipment is not available for dividend distribution.

Asset revaluation surplus as at December 31, 2017 and 2016 and movements during the years ended December 31, 2017 and 2016 (before deducting the effect from deferred tax liabilities) are as follows:

	Consolidated and Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2017
	Beginning Balance as at January 1, 2017	Movements During the Year			
		Addition	Deduction	Depreciation	
Land	38,451	-	-	-	38,451
Building and building improvement	189,382	-	-	(17,255)	172,127
Machinery and equipment	119,764	-	-	(18,424)	101,340
Total	347,597	-	-	(35,679)	311,918

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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	Consolidated and Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Depreciation	
Land	-	38,451	-	-	38,451
Building and building improvement	132,068	67,705	(788)	(9,603)	189,382
Machinery and equipment	28,807	102,795	(172)	(11,666)	119,764
Total	160,875	208,951	(960)	(21,269)	347,597

As at December 31, 2017 and 2016, the Company's land, building and building improvement, machinery and equipment of which carrying amount totalling approximately Baht 251.1 million and Baht 265.2 million, respectively, were used as guarantees for the credit facilities with financial institutions as discussed in Notes 15 and 20.

As at December 31, 2017 and 2016, the Company's machinery and equipment and vehicles of which carrying amount totalling approximately Baht 19.0 million and Baht 23.5 million, respectively, were under the obligations and conditions of hire purchase and finance lease agreements as discussed in Note 21.

As at December 31, 2017 and 2016, cost of the Company's plant and equipment which have been fully depreciated but still in use amounting to approximately Baht 221.0 million and Baht 184.1 million, respectively.

Depreciation of plant and equipment for the year 2017 amounted to approximately Baht 79.0 million in the consolidated financial statements and Baht 78.0 million in separate financial statements while for the year 2016 amounted to approximately Baht 65.4 million in the consolidated financial statements and Baht 64.7 million in separate financial statements. The aforesaid depreciation for each of the years were included the depreciation on revaluation surplus of buildings and machinery of approximately Baht 35.7 million and Baht 21.3 million, respectively, in the consolidated and separate financial statements.

14. INTANGIBLE ASSETS - NET

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2017
	Beginning Balance as at January 1, 2017	Movements During the Year			
		Addition	Deduction	Transfer	
Cost	10,194	863	-	-	11,057
Accumulated amortization	(6,861)	(1,080)	-	-	(7,941)
Net	3,333	(217)	-	-	3,116

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Consolidated (In Thousand Baht)					
	Beginning Balance as at January 1, 2016	Movements During the Year			Ending Balance as at December 31, 2016
		Addition	Deduction	Transfer	
Cost	8,228	1,966	-	-	10,194
Accumulated amortization	(5,274)	(1,587)	-	-	(6,861)
Net	<u>2,954</u>	<u>379</u>	<u>-</u>	<u>-</u>	<u>3,333</u>
Separate Financial Statement (In Thousand Baht)					
	Beginning Balance as at January 1, 2017	Movements During the Year			Ending Balance as at December 31, 2017
		Addition	Deduction	Transfer	
Cost	9,230	29	-	-	9,259
Accumulated amortization	(6,856)	(1,023)	-	-	(7,879)
Net	<u>2,374</u>	<u>(994)</u>	<u>-</u>	<u>-</u>	<u>1,380</u>
Separate Financial Statement (In Thousand Baht)					
	Beginning Balance as at January 1, 2016	Movements During the Year			Ending Balance as at December 31, 2016
		Addition	Deduction	Transfer	
Cost	8,228	1,002	-	-	9,230
Accumulated amortization	(5,274)	(1,582)	-	-	(6,856)
Net	<u>2,954</u>	<u>(580)</u>	<u>-</u>	<u>-</u>	<u>2,374</u>

Amortization for the years ended December 31, 2017 and 2016 amounted to approximately Baht 1.1 million and Baht 1.6 million, respectively, both in the consolidated and separate financial statements, which was presented as part of “Administrative expenses” in the statements of comprehensive income.

15. BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Bank overdrafts	18,246	28,036	14,288	28,036
Loans under packing credits	198,507	103,052	198,507	103,052
Loans under promissory notes	210,000	535,000	210,000	480,000
Loans under trust receipt agreements	5,018	6,785	5,018	6,785
Total	<u>431,771</u>	<u>672,873</u>	<u>427,813</u>	<u>617,873</u>

As at December 31, 2017 and 2016, the Group had overdraft lines with three local banks totalling Baht 55 million (totalling Baht 50 million for the Company only) which bear interest at Minimum Overdraft Rate.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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As at December 31, 2017 and 2016, the Company had packing credit facilities with two local banks totalling Baht 200 million which bear interest at 1.5% p.a. lower than Minimum Loan Rate.

As at December 31, the Group had promissory note facilities with three local banks totalling Baht 210 million in 2017 and two local banks and two local securities companies totalling Baht 480 million in 2016 which bear interest at 1.0% p.a. lower than Minimum Loan Rate.

As at December 31, 2017 and 2016, the Group had trust receipt facilities with three local banks totalling Baht 148 million and Baht 108 million, respectively, (totalling Baht 58 million and Baht 18 million, respectively, for the Company only) which bear interest at 1.5% p.a. lower than Minimum Loan Rate.

The abovementioned credit facilities are guaranteed by certain directors of the Company as well as their land and fixed deposits, the Company's fixed deposits as discussed in Note 9, and the Company's land, buildings, and machinery and equipment as discussed in Note 13.

16. SHORT-TERM LOANS FROM OTHER PARTIES

This account represented the unsecured short-term loans under bill of exchange issued to several non-related persons and companies during October to December 2017. These loans bear interest ranging between 4.5% and 6.0% p.a. and have maturities not exceeding four months from issuance dates.

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Other payables	22,070	23,381	21,262	22,169
Accrued advertising and sales promotion expenses	18,908	14,424	18,908	14,407
Accrued interest	4,626	3,288	4,623	3,281
Accrued salary, wage, and welfares	4,330	8,186	4,314	8,180
Advances from customers	4,229	5,464	4,229	5,464
Accrued electricity	3,332	3,265	3,266	3,184
Other	4,476	4,265	4,074	3,772
Total	61,971	62,273	60,676	60,457

18. DEBENTURES

	Consolidated and Separate Financial Statements	
	(In Thousand Baht)	
	2017	2016
Debentures	500,000	500,000
Less Deferred direct transaction costs on debenture issuance	(116)	(1,690)
Net	499,884	498,310

On May 26, 2016, 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 February 26, 2018.

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The abovementioned debentures have significant undertakings and conditions which include maintaining Debt-to-Equity ratio at the rate not exceeding 4:1.

Direct transaction costs on debenture issuance were debenture issuance costs, which were recorded as a deferred item and systematically amortized on a straight-line method as part of finance costs over the term of related debentures.

As at December 31, 2017 and 2016, such debentures had fair values of approximately Baht 500.6 million and Baht 500.1 million, respectively, which is the Level 1 input of the fair value hierarchy.

19. LIABILITY FOR POST-EMPLOYMENT BENEFITS

Movements of liability for post-employment benefits for the years ended December 31, 2017 and 2016 are as follows:

	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2017	2016
Liability for post-employment benefits as at January 1	5,920	3,380
Current service cost	331	485
Interest cost	95	165
Expense recognized as profit or loss in statement of comprehensive income	426	650
Actuarial loss on measurement	-	1,890
Expense recognized in statement of comprehensive income	426	2,540
Employee benefit paid during the period	-	-
Liability for post-employment benefits as at December 31	6,346	5,920

Significant assumptions used in the calculation of liability for post-employment are as follows:

- Discount rate 2.87% p.a. in 2017 and 2016
- Salary escalation rate 6.43% p.a. in 2017 and 2016
- Employee turnover rate 11% - 48% p.a. in 2017 and 2016

The abovementioned changes in significant assumptions may affect the sensitivity of the balance of provision for post-employment benefits in respect of the information as per the calculation report of the qualified actuary as follows:

Significant Assumptions	Liability may increase (decrease) from changes in significant assumptions (In Thousand Baht)	
	If assumption increased	If assumption decreased
Discount rate (increase/decrease by 0.5%)	(180)	193
Salary escalation rate (increase/decrease by 0.5%)	219	(205)
Employee turnover rate (increase/decrease by 1%)	(477)	560

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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20. LONG-TERM BORROWINGS

Long-term borrowings from three local banks in 2017 and 2016 comprised of:

	Consolidated (In Thousand Baht)	
	2017	2016
1) Loans under facilities amount of Baht 108 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	18,336	42,522
2) Loans under facilities amount of Baht 80 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	13,329	31,311
3) Loans under facilities amount of Baht 30 million, repayable monthly until December 2016, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	9,560
4) Loans under facilities amount of Baht 42 million, repayable monthly until December 2019, bear interest at 0.25% p.a. lower than Minimum Loan Rate	11,110	22,082
5) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	5,236	8,610
6) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	32,999	16,440
7) Loans under facilities amount of Baht 40 million (of subsidiary), repayable monthly until March 2021, bear interest at Minimum Loan Rate	5,573	13,150
8) Loans under facilities amount of Baht 10 million (of subsidiary), repayable monthly until March 2021, bear interest at Minimum Loan Rate	7,263	9,469
Total	93,846	153,144
Less Current portion	(87,253)	(85,976)
Net	6,593	67,168
	Separate Financial Statement (In Thousand Baht)	
	2017	2016
1) Loans under facilities amount of Baht 108 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	18,336	42,522
2) Loans under facilities amount of Baht 80 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	13,329	31,311
3) Loans under facilities amount of Baht 30 million, repayable monthly until December 2016, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	9,560
4) Loans under facilities amount of Baht 42 million, repayable monthly until December 2019, bear interest at 0.25% p.a. lower than Minimum Loan Rate	11,110	22,082
5) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	5,236	8,610
6) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	32,999	16,440
Total	81,010	130,525
Less Current portion	(79,352)	(72,777)
Net	1,658	57,748

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The above loans have guarantees as discussed in Notes 13. In addition, the Company and its subsidiaries must comply with certain covenants and undertakings of these loans e.g. maintaining Debt Service Coverage Ratio, Debt-to-Equity Ratio, and Current Ratio, etc.

As at December 31, 2017, the Company could not comply with certain covenant of the loans under facilities of Baht 108 million and Baht 40 million. The Company negotiated with the lending bank and obtained the written waiver of such covenant on January 18, 2018 whereby the noncompliance was waived for the 2017 financial statements. However, due to the Company received such written waiver after December 31, 2017, the Company, therefore, presented the entire amount of such loans as part of current portion of long-term borrowings.

21. LIABILITIES UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

	In Thousand Baht	
	2017	2016
Liabilities under hire purchase and finance lease agreements		
- Due for payments within one year	5,704	11,321
- Due for payments between 2-5 years	5,764	4,070
Total	11,468	15,391
Less Deferred interest	(617)	(585)
Liabilities under hire purchase and finance lease agreements - net of deferred interest	10,851	14,806
Less Current portion	(5,337)	(10,832)
Net	5,514	3,974

Amortized interest, which was presented as part of “Finance costs” in the statements of comprehensive income for the years 2017 and 2016, amounted to approximately Baht 0.5 million and Baht 1.1 million, respectively.

During 2012 to 2017, the Company entered into hire purchase agreements for its vehicles with three local banks and seven private companies for the periods of 24 to 60 months whereby such hire purchase agreements will end during 2017 to 2021.

During 2014, the Company entered into sales and finance leaseback agreements of machinery and equipment with a local leasing company for a period of 48 months.

	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2017	2016
Deferred gain on sales and leaseback	271	271
Less Cumulative recognized amount	(259)	(191)
Net	12	80

Gain on sales and finance leaseback which was recognized as part of “Other income” for the years 2017 and 2016 amounted to approximately Baht 68 thousand and Baht 51 thousand, respectively.

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22. SHARE CAPITAL, PREMIUM ON SHARES AND WARRANTS

	Par Value (In Baht)	In Thousand Shares / In Thousand Baht			
		2017		2016	
		No. of Share	At Par Value	No. of Share	At Par Value
Authorized share capital					
As at December 31					
- Common shares	0.25	<u>1,416,549</u>	<u>354,137</u>	<u>780,000</u>	<u>195,000</u>
Issued and paid-up shares					
as at January 1					
- Common shares	0.25	568,826	142,207	550,191	137,548
Private placement	0.25	30,000	7,500	-	-
Exercise of warrants	0.25	<u>231,182</u>	<u>57,795</u>	<u>18,635</u>	<u>4,659</u>
As at December 31					
- Common shares	0.25	<u>830,008</u>	<u>207,502</u>	<u>568,826</u>	<u>142,207</u>

At the general shareholders' meeting on April 28, 2017, the shareholders unanimously approved the Company to decrease in the authorized share capital from Baht 195,000,000 to Baht 194,967,110.50 by eliminating the unissued 131,554 common shares, Baht 0.25 par value, of the Company which was equivalent to Baht 32,889.50 and increase the Company's authorized share capital from Baht 194,967,110.50 (divided into 779,868,446 common shares, Baht 0.25 par value) to Baht 259,394,716.50 (divided into 1,037,398,866 common shares, Baht 0.25 par value) by issuance of new 257,530,420 common shares, Baht 0.25 par value, in order to support the investments for business expansion of the Group. Such new common shares shall be allocated for offering to the existing shareholders of 170,647,815 shares, for private placement of 56,882,605 shares, and the rest of 30,000,000 shares for supporting the adjustment of the rights under the ECF-W1 warrants that may be resulted from the issuance and offering of the aforesaid new common shares.

At the extraordinary shareholders' meeting on October 2, 2017, the shareholders approved the significant matters relating to the Company's share capital as follows:

- a) Decrease in the Company's authorized share capital amounting to Baht 64,411,770.00 from previously Baht 259,349,716.50 to Baht 194,937,946.50 by eliminating the unissued 257,647,080 common shares, Baht 0.25 par value. The Company subsequently registered such decrease in share capital with the Ministry of Commerce on October 16, 2017.
- b) Increase in the Company's authorized share capital amounting to Baht 159,199,322.50 from previously Baht 194,937,946.50 to Baht 354,137,269.00 by issuance of new 636,797,290 common shares, Baht 0.25 par value in order to accommodate the following schemes:
 - (1) General mandate basis of the increase in share capital for offering to the existing shareholders (Right Offering) of 233,925,535 shares;
 - (2) General mandate basis of the increase in share capital for offering to specific persons (Private Placement) of 77,975,178 shares whereby the Board of Directors subsequently approved in their meeting (a) on October 3, 2017 to offer the first lot, not exceeding 40,000,000 shares, to Macquarie Bank Limited ("Macquarie"), who is foreign institutional investor incorporated and operates its finance and banking businesses in Australia. Macquarie shall purchase the Company's newly issued shares at once or occasionally at the price not less than 90% of the volume weighted average price of the Company's shares on the Market for Alternative Investment for the past 7 consecutive business days prior to the date on which the offering price is determined for Macquarie on each occasion whereby the subscription rights shall be subject to the success in execution of

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share subscription agreement between the Company and Macquarie as well as the conditions to be specified in such agreement. Subsequently on January 8, 2018, the Company received the proceeds for partial share subscription from Macquarie amounting to approximately Baht 1.7 million (Baht 5.70 per share, comprised the amounts for paid-up share capital of Baht 0.075 million and premium on shares of Baht 1.6 million). The Company registered this issued and paid-up share capital with the Ministry of Commerce on January 9, 2018 and (b) on October 19, 2017 to offer the second lot, not exceeding 30,000,000 shares, to One Asset Management Limited (“ONEAM”), who is local institutional investor. ONEAM shall purchase the Company’s newly issued shares on this occasion at Baht 5.58 per share, totalling Baht 167.4 million, which is the price not less than 90% of the volume weighted average price of the Company’s shares on the Market for Alternative Investment for the past 7 consecutive business days prior to the date on which the offering price is determined for ONEAM, i.e. October 19, 2017. ONEAM purchased and paid-up for such shares, amounting to Baht 167.4 million, on October 25, 2017 (comprised the amounts for paid-up share capital of Baht 7.5 million and premium on shares of Baht 159.9 million) and will allocate such shares to 22 mutual funds and 8 provident funds which are under their management. The Company registered this issued and paid-up share capital with the Ministry of Commerce on October 30, 2017;

- (3) Exercise of the ECF-W2 for purchase of the Company’s newly issued 194,937,946 common shares ; and
- (4) Exercise of the ECF-W3 for purchase of the Company’s newly issued 129,958,631 common shares.

The Company registered such increase in share capital with the Ministry of Commerce on October 17, 2017 and will utilize the fund derived from the abovementioned increase in shares capital as working capital to support the Company’s financial liquidity and/or expansion in core business and other businesses relevant to core business and/or several investment projects in the energy business.

Section 51 of the Public Limited Companies Act, B.E. 2535 (1992) requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account, premium on shares, separated from the reserve account referred to in Section 116 of the Public Limited Companies Act, B.E. 2535 (1992) (“Legal reserve”). Premium on shares is not available for dividend distribution.

Warrants

The Company issued and offered 259,868,446 units of free warrants (“ECF-W1”) to existing shareholders on July 30, 2014 for the purchase of incremental shares on the basis of 2 common shares for 1 unit of warrant. Terms of the warrants are as follows:

Exercise ratio	1 unit of warrant to purchase 1 incremental common share
Exercise price	Baht 0.50 per share
Exercise period	The warrants shall be exercisable after 1 year from the date of issuance of the warrants. The exercise schedules shall be the last business days of May and November of each year until the end the 3 rd year after issuance whereby the first exercise date is November 30, 2016 and the last exercise date is July 29, 2016.
Term of warrants	3 years from the date on which the warrants are issued to the shareholders

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Subsequently, the Company issued and offered 194,929,773 units of free warrants (“ECF-W2”) to existing shareholders on October 20, 2017 for the purchase of incremental shares on the basis of 4 common shares for 1 unit of warrant. Terms of the warrants are as follows:

Exercise ratio	1 unit of warrant to purchase 1 incremental common share
Exercise price	Baht 3 per share (may be subsequently changed regarding adjustment provisions of the warrants)
Exercise period	The warrants shall be exercisable with the first exercise date on November 25, 2017 and other 5 times, i.e. the 25th of February, May, August, November 2018 and the last exercise date is February 20, 2019.
Term of warrants	1 year and 4 months from the date on which the warrants are issued to the shareholders

On the same day, the Company issued and offered 129,951,632 units of free warrants (“ECF-W3”) for the purchase of incremental shares on the basis of 6 common shares for 1 unit of warrant. Terms of the warrants are as follows:

Exercise ratio	1 unit of warrant to purchase 1 incremental common share
Exercise price	Baht 5 per share (may be subsequently changed regarding adjustment provisions of the warrants)
Exercise period	The warrants shall be exercisable with the first exercise date on May 25, 2019 and other 7 times, i.e. the 25th of August and November 2019, February, May, August, November 2020 and the last exercise date is February 20, 2021.
Term of warrants	3 years and 4 months from the date on which the warrants are issued to the shareholders

On August 15, 2014, the Stock Exchange of Thailand has granted the Company’s 259,868,446 units of warrants as listed securities and has permitted such warrants to be traded on the Market for Alternative Investment since August 18, 2014. Details of the exercised warrants are as follows:

Exercise Date	Number of warrants exercised for purchases of common shares (Unit)	Proceeds from the exercise of warrants (Baht)	Paid-up share capital (Baht)	Premium on shares (Baht)	Number of unexercised warrants	Date of the registered increase in issued and paid-up share capital with the Ministry of Commerce
November 30, 2015	30,190,600	15,095,300	7,547,650	7,547,650	229,677,846	December 9, 2015
May 31, 2016	14,855,950	7,427,975	3,713,988	3,713,988	214,821,896	June 13, 2016
November 30, 2016	3,779,500	1,889,750	944,875	944,875	211,042,396	December 9, 2016
May 31, 2017	7,445,400	3,722,700	1,861,350	1,861,350	203,596,996	June 12, 2017
July 28, 2017*	203,480,336	101,740,168	50,870,084	-	116,660	August 4, 2017

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* Last exercise date and the delisting date of the Company's warrants at the end of this day from the Market for Alternative Investment

Subsequently on November 6, 2017, the Stock Exchange of Thailand has granted the Company's 194,929,773 (ECF-W2) and 129,951,632 (ECF-W3) units of warrants as listed securities and has permitted such warrants to be traded on the Market for Alternative Investment since November 7, 2017.

Exercise Date	Number of warrants exercised for purchases of common shares (Unit)	Proceeds from the exercise of warrants (Baht)	Paid-up share capital (Baht)	Premium on shares (Baht)	Number of unexercised warrants	Date of the registered increase in issued and paid-up share capital with the Ministry of Commerce
November 25, 2017	20,255,666	60,766,998	5,063,917	55,703,081	174,674,107	November 30, 2017

23. LEGAL RESERVE

Section 116 of the Public Limited Companies Act B.E. 2535 requires the public limited companies to appropriate not less than 5% of its annual profit, less accumulated losses brought forward (if any), to a reserve account ("Legal reserve") until this account reaches an amount not less than 10% of the authorized share capital. The legal reserve is not available for dividend distribution.

24. EXPENSES BY NATURE

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Assemblies , raw materials, and supplies used	944,249	864,705	937,241	854,035
Employee expenses	244,782	239,887	237,756	233,261
Depreciation and amortization	85,137	71,458	81,724	68,695
Finance costs	78,657	54,430	75,626	48,874
Advertising and sales promotions	74,468	82,240	74,248	78,542
Freight and transportation charges	44,390	37,667	42,436	34,438
Electricity	35,019	35,392	34,364	36,620
Showroom rental and service charges	33,494	31,179	21,120	21,849
Repair and maintenance expenses	13,347	18,930	13,263	18,548
Bank charges	12,713	9,928	11,834	9,005
Fuels	11,176	9,805	11,176	9,805
Reversal of loss on diminution in value of obsolete and slow moving inventories	(2,703)	(1,621)	(2,703)	(1,621)
Changes in finished goods and work-in-process	(223,247)	(151,795)	(225,671)	(146,937)

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25. INCOME TAX

Corporate income tax recorded as expense (income) for the years ended December 31, 2017 and 2016 consists of:

	In Thousand Baht			
	Consolidated		The Company Only	
	2017	2016	2017	2016
Income tax computed from accounting profit	11,779	15,143	16,584	13,200
Effects from non-deductible expenses	12,962	6,320	7,847	6,160
Effects from benefit of tax loss carryforward	-	4,639	-	-
Effects from additional deductible expenses or non-taxable income	(1,676)	(9,269)	(1,605)	(2,529)
Effects from reduction in income tax rate under investment promotion	(5,425)	(4,839)	(5,425)	(4,839)
Current tax on taxable profit	17,640	11,994	17,401	11,992
Decrease (increase) in deferred tax assets	302	(819)	315	(886)
Decrease in deferred tax liabilities	(6,291)	(466)	(6,291)	(466)
Income tax presented in statement of comprehensive income	<u>11,651</u>	<u>10,709</u>	<u>11,425</u>	<u>10,640</u>
Decrease in deferred tax assets attributable to other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>378</u>
Increase in deferred tax liabilities from reappraisals of fixed assets	<u>-</u>	<u>41,598</u>	<u>-</u>	<u>41,598</u>

As at December 31, 2017, a subsidiary had tax loss carryforward of approximately Baht 55.9 million whereby such loss carryforward is able to be used as tax credit during 2018 until 2022.

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Deferred tax assets and liabilities presented in statements of financial position as at December 31, 2017 and 2016 consist of:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
<i>Deferred tax assets</i>				
Effects from temporary non-deductible items or item not yet recognized in accounting				
- Allowance for diminution in value of obsolete and slow moving inventories	611	1,152	611	1,152
- Allowance for doubtful accounts	613	824	393	617
- Allowance for impairment of building and equipment	1,092	1,092	1,092	1,092
- Deferred gain on sales and leaseback	3	16	3	16
- Liability for post-employment benefits	1,269	806	1,269	806
Total deferred tax assets	<u>3,588</u>	<u>3,890</u>	<u>3,368</u>	<u>3,683</u>
<i>Deferred tax liabilities</i>				
Effects from temporary non-recognized items:				
- Unamortized debenture issuance costs	23	338	23	338
- Revaluation surplus on land	7,690	7,690	7,690	7,690
- Revaluation surplus on building - net	15,729	17,945	15,729	17,945
- Revaluation surplus on machinery - net	16,765	20,525	16,765	20,525
Total deferred tax liabilities	<u>40,207</u>	<u>46,498</u>	<u>40,207</u>	<u>46,498</u>

26. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share for the years ended December 31, 2017 and 2016 are determined by dividing profit for the year, attributable to owners of the Company, by the weighted average number of common shares outstanding during the year as follows:

	In Thousand Baht / In Thousand Shares			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Profit for the year, attributable to owners of the Company	<u>73,046</u>	<u>62,440</u>	<u>71,494</u>	<u>55,361</u>
Basic weighted average number of outstanding common shares	<u>668,379</u>	<u>559,258</u>	<u>668,379</u>	<u>559,258</u>
Basic earnings per share (Baht)	<u>0.109</u>	<u>0.112</u>	<u>0.107</u>	<u>0.099</u>

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Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2017 and 2016 are determined by dividing the profit for the year, attributable to owners of the Company, by the weighted average number of common shares outstanding during the year after adjusting the effect from dilutive potential common shares as follows:

	In Thousand Baht / In Thousand Shares			
	Consolidated		Separate Financial Statement	
	2017	2016	2017	2016
Profit for the year attributable to owners of the Company	73,046	62,440	71,494	55,361
Basic weighted average number of outstanding common shares	668,379	559,258	668,379	559,258
Effect from the right under the exercise of warrants	116,969	30,410	116,969	30,410
Diluted weighted average number of outstanding common shares	785,348	589,668	785,348	589,668
Diluted earnings per share (Baht)	0.093	0.106	0.091	0.094

27. PAYMENT OF DIVIDENDS

At the general shareholders' meeting held on April 28, 2017, the shareholders unanimously approved the Company to pay dividends for the 2016 operations at Baht 0.0535 per share, totalling approximately Baht 30.4 million, to the shareholders whereby such dividends shall be paid from the promoted activities and non-promoted activities amounting to Baht 0.0154 per share and Baht 0.0381 per share, respectively. Such dividends were paid on May 26, 2017.

At the general shareholders' meeting held on April 8, 2016, the shareholders unanimously approved the Company to pay dividends for the 2015 operations at Baht 0.0586 per share, totalling approximately Baht 32.2 million, to the shareholders whereby such dividends shall be paid from the promoted activities and non-promoted activities amounting to Baht 0.0153 per share and Baht 0.0433 per share, respectively. Such dividends were paid on May 6, 2016.

28. PROMOTIONAL PRIVILEGES UNDER INVESTMENT PROMOTION

By virtue of the provisions of the Investment Promotion Act B.E. 2520, the Company has been granted certain promotional privileges which include among others, exemption from import duty on the imported raw materials and necessary supplies used in the promoted business to (1) exemption 50% from import duty on the imported raw machinery in the promoted business to (2) and (3) exemption from corporate income tax on net profit from the promoted businesses attributable in the extent not exceeding the specified amount in the promotional certificates for a period of three years from the date income was first derived from the promoted businesses and the dates income was first derived from the promoted businesses are as follows:

- (1) Production of printed matter, income was first derived on April 1, 2011.
- (2) Manufacture of furniture and parts (rubber wood furniture : chairs) (except those made from restricted trees), income was first derived on August 14, 2014.

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- (3) Manufacture of furniture and parts (particle board furniture) (except those made from restricted trees), income was first derived on August 14, 2014.

As a promoted entity, the Company must comply with certain conditions and regulations as specified in the promotional certificates.

Operating results classified by the promoted and non-promoted businesses for the years ended December 31, 2017 and 2016 are as follows:

	2017 - Consolidated (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	335,594	1,109,029	1,444,623
Other income	68	33,993	34,061
Cost of sales	(227,562)	(776,641)	(1,004,203)
Distribution costs	(34,654)	(121,969)	(156,623)
Administrative expenses (including loss on exchange rate)	(35,635)	(144,672)	(180,307)
Finance costs	(17,329)	(61,328)	(78,657)
Share of profit from investment in associates	-	19,500	19,500
Income tax expense	-	(11,651)	(11,651)
Profit for the year	20,482	46,261	66,743

	2016 - Consolidated (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	396,490	974,290	1,370,780
Other income (including gain on exchange rate)	1,216	22,912	24,128
Cost of sales	(281,761)	(701,504)	(983,265)
Distribution costs	(41,720)	(117,154)	(158,874)
Administrative expenses	(42,008)	(113,447)	(155,455)
Finance costs	(14,063)	(40,367)	(54,430)
Share of profit from investment in associates	-	32,832	32,832
Income tax expense	-	(10,709)	(10,709)
Profit for the year	18,154	46,853	65,007

	2017 - Separate Financial Statement (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	335,594	1,092,067	1,427,661
Other income	68	31,585	31,653
Cost of sales	(227,562)	(765,626)	(993,188)
Distribution costs	(34,654)	(117,399)	(152,053)
Administrative expenses (including loss on exchange rate)	(35,635)	(119,893)	(155,528)
Finance costs	(17,329)	(58,297)	(75,626)
Income tax expense	-	(11,425)	(11,425)
Profit for the year	20,482	51,012	71,494

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	2016 - Separate Financial Statement (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	396,490	957,923	1,354,413
Other income (including gain on exchange rate)	1,216	22,376	23,592
Cost of sales	(281,761)	(693,197)	(974,958)
Distribution costs	(41,720)	(102,578)	(144,298)
Administrative expenses	(42,008)	(101,866)	(143,874)
Finance costs	(14,063)	(34,811)	(48,874)
Income tax expense	-	(10,640)	(10,640)
Profit for the year	18,154	37,207	55,361

29. SIGNIFICANT FINANCIAL INFORMATION CLASSIFIED BY OPERATING SEGMENT

Sales, other income, cost of sales, other expenses, and profit / loss before income tax expense are significant financial and core information of the Group that are provided regularly to the highest authority in decision-making operation and also used in evaluation of financial performances of the segments. The Group has two significant operating segments (identified by internal reporting segments), i.e. (1) wood furniture and particle boards (rubber wood furniture and particle board furniture) and (2) other segments, e.g. laminating papers, dried sawn lumbers, furniture-decorating supplies and retail shops for sundry goods imported from abroad, which has just been started with insignificant portion as compared to entire volumes and size of business activities. So these minor segments are insignificant portion. The transfers between segments were accounted for at cost whereby the accounting policies applied to operating segments of the Group are similar to those accounting policies discussed in Note 3. In addition, the Group is unable to apportion the segment information for assets and liabilities without incurring the excessive costs.

Information on Products

	In Thousand Baht	
	Consolidated	
	2017	2016
Net sales		
- Wood furniture and particle boards	1,332,318	1,273,723
- Other products	112,305	97,057
Total	1,444,623	1,370,780
Other income		
- Wood furniture and particle boards	28,182	20,857
- Other products	25,379	36,103
Total	53,561	56,960
Cost of sales		
- Wood furniture and particle boards	892,700	885,366
- Other products	111,503	97,899
Total	1,004,203	983,265
Other expenses		
- Wood furniture and particle boards	369,764	328,143
- Other products	45,823	40,616
Total	415,587	368,759

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	In Thousand Baht	
	Consolidated	
	2017	2016
Profit (loss) before income tax expense		
- Wood furniture and particle boards	98,036	81,071
- Other products	(19,642)	(5,355)
Net	<u>78,394</u>	<u>75,716</u>

Information on Geographic Areas

	In Thousand Baht	
	Consolidated	
	2017	2016
Export sales - net		
- Japan	668,008	682,337
- Bahrain	22,446	38,475
- Malaysia	18,075	1,515
- Philippine	15,147	7,106
- United Arab Emirates	7,960	-
- United States of America	6,783	7,932
- India	5,132	12,229
- Taiwan	5,073	7,453
- China	2,888	5,382
- Peru	2,358	3,968
- Singapore	-	2,120
- Other countries	941	7,900
Total	<u>754,811</u>	<u>776,417</u>
Domestic sales - net	<u>689,812</u>	<u>594,363</u>
Total sales - net	<u>1,444,623</u>	<u>1,370,780</u>

The Group has no any non-current assets located in the countries other than Thailand.

Information on Key Customers

(customers whose transactions exceeding 10% of total balance of transactions)

	Percentage of Balance Attributable to Key Customers to Total Balance	
	Consolidated	
	2017	2016
Net sales		
- Wood furniture and particle boards	36.99	54.53
- Other products	-	-
- Export	39.02	60.93
- Domestic	28.75	29.81
- Total	34.12	47.43

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30. DISCLOSURE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The Group are exposed to normal business risks relating to liquidity risk, credit risk, foreign currency risk, and interest rate risk. The Group has used derivative financial instruments for hedging against the foreign currency risk without intention for trading or speculation purposes and there was no significant change in risk management policy relating to financial instruments during 2017 and 2016.

Liquidity Risk

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

Credit Risk

Credit risk is the risk that a customer or counterparty is unable or unwilling to meet its financial and contractual commitments. To mitigate this risk, the Group periodically assess the financial position and viability of customers and counterparties. The carrying amount of receivables presented in the statements of financial position is the maximum exposure to credit risk.

Foreign Currency Risk

The Group has significant business transactions internationally, including import of merchandises and raw materials as well as export of its products, giving rise to exposure to fluctuations in foreign currency exchange rates. In practical, the Group reduces this risk by matching cash receipt from its customers (receivables) against cash payment to its suppliers (payables). Since 2009, the Company has started using forward exchange contracts (buy-sell) to mitigate this risk.

As at December 31, 2017 and 2016, the Company had the outstanding forward exchange contracts (buy and sell) as follows:

	In Thousand			
	Foreign Currency		Fixed Baht	
	2017	2016	2017	2016
Forward exchange contracts - buy				
- U.S. Dollar	50	106	1,625	3,766
Forward exchange contracts - sell				
- U.S. Dollar	55	81	1,801	2,898

In addition, the fair values of forward exchange contracts (buy and sell) outstanding as at December 31, 2017 and 2016 were as follows:

	In Thousand Baht	
	2017	2016
Forward exchange contract - buy		
- U.S. Dollar	1,628	3,798
Forward exchange contract - sell		
- U.S. Dollar	1,790	2,902

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The forward exchange contracts (buy and sell) as at December 31, 2017 had maturities between April and June 2018.

As at December 31, 2017 and 2016, significant outstanding non-hedged foreign currency assets and liabilities are as follows:

	Consolidated			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2017	2016	2017	2016
- U.S. Dollar	3,332,181	1,605,025	188,402	218,575
- Euro	-	-	-	51,100

	Separate Financial Statement			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2017	2016	2017	2016
- U.S. Dollar	3,332,181	1,579,481	188,402	218,575
- Euro	-	-	-	51,100

Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates in the future, which may have a negative effect to current and future operations and cash flows of the Group. The Group's management believes that the interest rate risk is minimal because the Group's deposits at banks, short-term and long-term loan receivables, bank overdrafts and short-term and long-term loan payables bear interest approximated or at the floating market interest rates.

Fair Value Measurements

The following assumptions were used by the Group in estimating the fair values of financial assets and financial liabilities:

Cash and cash equivalents, restricted deposits at banks, trade and other receivables, short-term and long-term loan receivables, bank overdrafts, short-term and long-term loan payables, trade and other payables have carrying amounts that did not materially differ from their fair values because these financial assets and liabilities will mature in a short-term period or bear interest at the rates or approximated market rates.

Current investment is stated at fair value. Investment in held-to-maturity debt securities and debentures are stated at amortized cost of which the carrying amounts approximate their fair values.

Investment in subsidiaries and associates as well as liabilities under hire purchase and finance lease agreements are not practicable to be estimated the proper fair value without incurring the excessive costs.

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31. CAPITAL MANAGEMENT

Significant objectives of capital management of the Group are to ensure that they have the appropriate financial structure and fund structure as well as maintaining the financial liquidity and ability to continue their businesses as a going concern. The Group did not have any significant change relating to capital management policy during 2017 and 2016.

As at December 31, Debt-to-Equity ratio for the consolidated and separate financial statements was 1.70 : 1.00 and 1.66 : 1.00, respectively, in 2017 and 2.58 : 1.00 and 2.46 : 1.00, respectively, in 2016.

32. REGISTERED PROVIDENT FUND

The Company has arranged a contributory registered provident fund in accordance with the Provident Fund Act, B.E. 2530 (1987). Membership to the fund is on a voluntary basis. Under the plan, the Company and employees contribute an amount equivalent to 3% of the employees' basic salaries. The fund will pay back the provident fund to employees in accordance with the conditions stated in the policies of provident fund regulations.

The Company's contribution, which was charged as expense for each of the years 2017 and 2016, amounted to approximately Baht 1.5 million.

33. OTHERS

As at December 31, 2017;

- a. The Group had commitments on space lease and service agreements for its branch offices and retail shops for sundry goods with five private companies with the term of 3 years whereby the last agreement will end in July 2020. Such commitments are as follows:

	<u>In Million Baht</u>
Due for payments within one year	23.8
Due for payments after one year but not exceeding five year	8.0
Total	<u>31.8</u>

- b. The Company had letters of guarantee issued by three local banks to two private companies and a government agency totalling approximately Baht 29.7 million;
- c. The Company had unused letters of credit with a local bank totalling approximately Baht 2.0 million;
- d. The Company had commitment on construction of its new office building located in Rayong province totalling approximately Baht 6.2 million (excluding value-added tax);
- e. The Company had commitment on purchase of land for construction of its new office building and new warehouse located in Pathumthani province totalling approximately Baht 44.1 million (excluding value-added tax);
- f. The Company had commitment on purchase of machinery amounting to approximately Baht 7.5 million

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- g. The Company had commitment on purchase of computer software amounting to approximately Baht 2.1 million;
- h. The Company registered the discontinuation of a branch located in each of Bangkok and Suphanburi province during 2017.

34. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated statement of comprehensive income for the year 2016 were reclassified to conform to and be comparable with the presentation of the consolidated statement of comprehensive income for the year 2017 without effect to the previously reported profit and shareholders' equity in consolidated financial statements. Such reclassification is as follows:

	In Baht	
	Reclassified Figures	Previously Reported Figures
Distribution costs	148,733,271	158,874,490
Administrative expenses	165,596,378	155,455,159

35. EVENT AFTER THE REPORTING PERIOD

At the Board of Directors' meeting on February 27, 2018, the Board of Directors passed the resolution to approve the investment budget for the increase in authorized share capital of subsidiary, i.e. PNB, amounting to Baht 400 million (from Baht 50 million to Baht 450 million) to support the MDF board and particle board manufacturing project whereby such increase in share capital shall be done with respect to the existing proportion of the shareholders that pertained to the Company's portion of 57% amounting to Baht 228 million.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been approved to be issued by the Company's Board of Directors' meeting on February 27, 2018.