

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

**Financial Statements
For the Year Ended December 31, 2019
and Report of Certified Public Accountant**

***M.R. & ASSOCIATES CO., LTD.
Certified Public Accountants***

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders and the Board of Directors of East Coast Furnitech Public Company Limited

Opinion

I have audited the consolidated financial statements of East Coast Furnitech Public Company Limited and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders’ equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, I have also audited the separate financial statements of East Coast Furnitech Public Company Limited, which comprise the separate statement of financial position as at December 31, 2019, and the separate statement of comprehensive income, the separate statement of changes in shareholders’ equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of East Coast Furnitech Public Company Limited and its subsidiaries as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended, and the accompanying separate financial statements present fairly, in all material respects, the financial position of East Coast Furnitech Public Company Limited as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Valuation of Certain Investment in Subsidiary in the Separate Financial Statements

Risk description

A subsidiary, ECF Holdings Co., Ltd. ("ECF-H"), has cancelled its status of being the sole distributor in Thailand with the foreign company, who is brand and product owner (the 60-Baht shop), since December 2018 that was resulted from high competition in the market and also triggered direct impact on its salability and profitability. Subsequently in 2019, the management has revised the business plan, product category for sales and target customers. In addition, close to the end of 2019, the management decided to add business plan for ECF-H i.e. sales of furniture through domestic agents that has been started since early 2020. From now on, business continuation of ECF-H, therefore, depends on success in such revised business plans. ECF-H had sales and loss from operations for the year 2019 amounting to approximately Baht 2.3 million and Baht 4.0 million, respectively, and further had capital deficiency as at December 31, 2019 amounting to approximately Baht 38.5 million. Such events primarily indicated that the Company's investment in ECF-H, stated at cost of Baht 7.5 million in the separate financial statements, may substantially impair and conduct to a significant risk that such investment may be overstated on valuation in the financial statements if compared to its recoverable amount to be known from the result of impairment test and assessment in which the management shall use their significant judgement, estimates, and assumptions as well as complex information and processes to test and assess whether such investment eventually has impairment or not.

Significant accounting policies and other information relating to the aforesaid investment were disclosed in Notes 1, 2, 3 and 9 to the financial statements.

Responses to the Risk

I have performed the following key audit procedures as responses to the identified and assessed significant risk in order that such risk shall be managed to appropriate and acceptable level and enable the separate financial statements to be free from material misstatement:

- Gather understanding and preliminarily assess the use of significant judgement, estimates, and assumptions as well as information and processes with respect of the test and assessment of impairment done by the Company's management.
- Test, assess, and conclude for the reasonableness of the use of significant judgement, estimates, and assumptions as well as information and processes in calculation and determining recoverable amount done by the Company's management.
- Test mathematical accuracy of significant figures with respect of the test and assessment of impairment.
- Review appropriateness and acceptability of the results of management's assessment whether such investment eventually impair, with material amount, as at the end of reporting period or not.

Other Information

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

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

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

When I read the aforesaid other information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order that they shall acknowledge and arrange the correction on such misstatement as appropriate.

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

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

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

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

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

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

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

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

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

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

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



(Mr. Akadet Pliensakul)
Certified Public Accountant
Registration No. 5389

M.R. & ASSOCIATES CO., LTD.
Bangkok
February 27, 2020

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND 2018

ASSETS

| | | In Baht | | | |
|--|-------------------|----------------------|----------------------|-------------------------------|----------------------|
| | | Consolidated | | Separate Financial Statements | |
| | Note | 2019 | 2018 | 2019 | 2018 |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | | 84,060,553 | 132,358,949 | 5,523,978 | 98,435,576 |
| Current investment | 32 | 9,978,684 | 64,710,168 | 9,978,684 | 64,710,168 |
| Trade receivables | | | | | |
| - Related parties | 4, 5 | 6,517,591 | 6,082,591 | 10,546,383 | 13,908,261 |
| - Other parties - net | 5 | 276,800,090 | 321,824,997 | 273,796,153 | 313,817,104 |
| Current portion of other installment receivables | | | | | |
| - Related person | 4, 7 | 8,325,000 | - | 8,325,000 | - |
| - Other person | 7 | 16,650,000 | - | 16,650,000 | - |
| Inventories - net | 6 | 1,379,373,448 | 1,172,206,372 | 1,378,844,746 | 1,170,734,045 |
| Short-term loans to and interest receivables from related parties | 4 | 15,034,038 | 65,342,864 | 36,826,272 | 23,200,298 |
| Short-term loans to other parties | 36 | - | 65,000,000 | - | - |
| Other current assets | | | | | |
| - Value-added tax receivable (net of allowance for doubtful accounts of Baht 3,051,891 in 2019) | | 25,099,459 | 20,303,523 | 22,627,662 | 17,861,937 |
| - Others (net of allowance for doubtful accounts of Baht 3,997,141 in 2019 and Baht 2,157,032 in 2018) | 4 | 15,647,031 | 24,893,352 | 17,080,103 | 21,051,858 |
| Total Current Assets | | 1,837,485,894 | 1,872,722,816 | 1,780,198,981 | 1,723,719,247 |
| NON-CURRENT ASSETS | | | | | |
| Other installment receivables - net | | | | | |
| - Related person | 4, 7 | 11,109,749 | - | 11,109,749 | - |
| - Other person | 7 | 22,219,497 | - | 22,219,497 | - |
| Restricted deposits at banks | 8 | 93,880,708 | 73,040,000 | 93,880,708 | 73,040,000 |
| Investment in subsidiaries accounted for using the cost method | 9 | - | - | 703,276,950 | 563,276,950 |
| Investment in associate and joint venture accounted for using the equity method | 10 | 584,100,194 | 561,691,594 | - | - |
| Property, plant and equipment - net | 4, 11, 13, 18, 19 | 481,891,660 | 459,396,354 | 459,711,813 | 438,650,850 |
| Asset revaluation surplus - net | 11 | 242,661,257 | 277,409,294 | 242,661,257 | 277,409,294 |
| Intangible assets - net | 12 | 776,035 | 2,194,440 | 678,772 | 611,946 |
| Deferred tax assets | 23 | 9,538,752 | 4,388,272 | 9,538,752 | 4,388,272 |
| Loan to other party | 7 | - | 50,000,000 | - | 50,000,000 |
| Other non-current assets | | | | | |
| - Deposit for investment project | 33 | 100,000,000 | 75,000,000 | 100,000,000 | 75,000,000 |
| - Advance for purchase of investment | 33 | 95,000,000 | - | 95,000,000 | - |
| - Advances for share subscription | 4, 9, 10 | 78,750,000 | - | 78,375,000 | 78,375,000 |
| - Deposits and guarantees | 4, 10 | 33,476,132 | 17,880,678 | 10,441,132 | 14,736,536 |
| - Others - net | | 84,084 | 1,807,831 | 7,284 | 1,656,459 |
| Total Non-Current Assets | | 1,753,488,068 | 1,522,808,463 | 1,826,900,914 | 1,577,145,307 |
| TOTAL ASSETS | | 3,590,973,962 | 3,395,531,279 | 3,607,099,895 | 3,300,864,554 |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND 2018

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | In Baht | | | |
|---|-----------|----------------------|----------------------|-------------------------------|----------------------|
| | | Consolidated | | Separate Financial Statements | |
| | Note | 2019 | 2018 | 2019 | 2018 |
| CURRENT LIABILITIES | | | | | |
| Bank overdrafts and short-term borrowings from financial institutions | 8, 11, 13 | 522,479,788 | 490,842,264 | 519,688,659 | 486,873,276 |
| Factoring payables | 5 | 108,199,346 | 113,415,604 | 108,199,346 | 113,415,604 |
| Trade payables | | 153,076,755 | 189,372,568 | 153,076,755 | 189,372,568 |
| Other payables - related party | 4 | - | 1,849,166 | - | 1,901,666 |
| Short-term loans from other parties | 14 | 197,994,738 | 283,176,715 | 177,994,738 | 164,216,455 |
| Short-term loans from and interest payable to related parties | 4 | - | - | 49,492,553 | 40,237,808 |
| Current portion of long-term borrowings | 11, 18 | 27,630,545 | 18,339,719 | 25,114,956 | 13,205,226 |
| Current portion of debentures | 16 | 605,685,000 | - | 605,685,000 | - |
| Current portion of liabilities under hire purchase agreements | 11, 19 | 1,375,377 | 2,972,968 | 1,375,377 | 2,972,968 |
| Income tax payable | | 5,847,748 | 12,612,643 | 5,602,816 | 12,612,643 |
| Accrued expenses and other current liabilities | 15 | 53,732,892 | 68,667,185 | 52,717,293 | 66,450,134 |
| Total Current Liabilities | | 1,676,022,189 | 1,181,248,832 | 1,698,947,493 | 1,091,258,348 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term borrowings - net | 11, 18 | 41,826,198 | 31,757,440 | 41,826,198 | 31,757,441 |
| Debentures - net | 16 | 375,114,628 | 688,638,008 | 375,114,628 | 688,638,008 |
| Liabilities under hire purchase agreements - net | 11, 19 | 1,137,298 | 2,436,263 | 1,137,298 | 2,436,263 |
| Deferred tax liabilities | 11, 23 | 31,777,217 | 37,336,770 | 31,777,217 | 37,336,770 |
| Liability for post-employment benefits | 17 | 10,687,390 | 6,793,256 | 10,687,390 | 6,793,256 |
| Total Non-Current Liabilities | | 460,542,731 | 766,961,737 | 460,542,731 | 766,961,738 |
| Total Liabilities | | 2,136,564,920 | 1,948,210,569 | 2,159,490,224 | 1,858,220,086 |

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND 2018

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

| | Note | In Baht | | | |
|---|------|---------------|---------------|-------------------------------|---------------|
| | | Consolidated | | Separate Financial Statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| SHAREHOLDERS' EQUITY | | | | | |
| Authorized share capital - 1,249,848,363 common shares in 2019 and 1,416,549,076 common shares in 2018, Baht 0.25 par value | 20 | 312,462,090 | 354,137,269 | 312,462,090 | 354,137,269 |
| Issued and paid-up share capital - 959,487,557 common shares in 2019 and 959,405,082 common shares in 2018, Baht 0.25 par value | 20 | 239,871,889 | 239,851,271 | 239,871,889 | 239,851,271 |
| Premium on shares | 20 | 768,342,199 | 768,115,392 | 768,342,199 | 768,115,392 |
| Retained earnings | | | | | |
| - Appropriated for legal reserve | 21 | 27,400,000 | 25,600,000 | 27,400,000 | 25,600,000 |
| - Unappropriated | | 407,253,316 | 369,446,920 | 416,663,264 | 384,394,677 |
| Total | | 1,442,867,404 | 1,403,013,583 | 1,452,277,352 | 1,417,961,340 |
| Other components of equity | | (8,825,394) | 22,923,415 | (4,667,681) | 24,683,128 |
| Equity attributable to Owners of the Parent | | 1,434,042,010 | 1,425,936,998 | 1,447,609,671 | 1,442,644,468 |
| Non-controlling interests | | 20,367,032 | 21,383,712 | - | - |
| Total Shareholders' Equity | | 1,454,409,042 | 1,447,320,710 | 1,447,609,671 | 1,442,644,468 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 3,590,973,962 | 3,395,531,279 | 3,607,099,895 | 3,300,864,554 |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Note | In Baht | | | |
|--|---------------|----------------------|----------------------|-------------------------------|----------------------|
| | | Consolidated | | Separate Financial Statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| REVENUES | | | | | |
| Net sales | 2, 4, 35 | 1,254,183,512 | 1,393,108,199 | 1,251,506,206 | 1,381,972,980 |
| Other income | 4 | 36,372,611 | 48,961,319 | 32,888,638 | 44,745,473 |
| Gain on exchange rate | | 344,203 | 1,263,025 | 413,838 | 1,288,898 |
| Total Revenues | | 1,290,900,326 | 1,443,332,543 | 1,284,808,682 | 1,428,007,351 |
| EXPENSES | | | | | |
| Cost of sales | 4, 6, 17 | 884,728,150 | 1,014,989,718 | 882,985,407 | 1,007,419,076 |
| Distribution costs | 2, 4, 35 | 74,824,253 | 96,361,872 | 74,381,672 | 91,749,769 |
| Administrative expenses | 4, 11, 12, 17 | 184,820,523 | 187,608,509 | 178,269,046 | 170,469,183 |
| Finance costs | 4, 19 | 115,434,466 | 101,238,007 | 112,228,288 | 97,060,145 |
| Total Expenses | | 1,259,807,392 | 1,400,198,106 | 1,247,864,413 | 1,366,698,173 |
| Share of Profit (Loss) from Investment in Associate and Joint Venture | 10 | 10,757,000 | (873,000) | - | - |
| PROFIT BEFORE INCOME TAX EXPENSE | | 41,849,934 | 42,261,437 | 36,944,269 | 61,309,178 |
| Income Tax Expense | 17, 23, 26 | 2,580,998 | 13,209,342 | 2,196,462 | 12,769,009 |
| PROFIT FOR THE YEAR | | 39,268,936 | 29,052,095 | 34,747,807 | 48,540,169 |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Note | In Baht | | | |
|--|------|--------------------|--------------------|-------------------------------|-------------------|
| | | Consolidated | | Separate Financial Statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| Other Comprehensive Loss for the Year | | | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | | | |
| - Actuarial loss on remeasurement of liability for post-employment benefits (net of income tax effect by Baht 256,977 in 2019) | 17 | (1,027,909) | - | (1,027,909) | - |
| <i>Item that will be reclassified subsequently to profit or loss</i> | | | | | |
| - Share of other comprehensive loss from associate | 10 | (2,398,000) | (424,000) | - | - |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR | | <u>(3,425,909)</u> | <u>(424,000)</u> | <u>(1,027,909)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>35,843,027</u> | <u>28,628,095</u> | <u>33,719,898</u> | <u>48,540,169</u> |
| Profit (Loss) Attributable to: | | | | | |
| Owners of the parent | | 40,285,616 | 33,758,602 | 34,747,807 | 48,540,169 |
| Non-controlling interests | | <u>(1,016,680)</u> | <u>(4,706,507)</u> | <u>-</u> | <u>-</u> |
| Profit for the Year | | <u>39,268,936</u> | <u>29,052,095</u> | <u>34,747,807</u> | <u>48,540,169</u> |
| Total Comprehensive Income (Loss) Attributable to: | | | | | |
| Attributable to: | | | | | |
| Owners of the parent | | 36,859,707 | 33,334,602 | 33,719,898 | 48,540,169 |
| Non-controlling interests | | <u>(1,016,680)</u> | <u>(4,706,507)</u> | <u>-</u> | <u>-</u> |
| Total Comprehensive Income for the Year | | <u>35,843,027</u> | <u>28,628,095</u> | <u>33,719,898</u> | <u>48,540,169</u> |
| Basic Earnings per Share | 24 | <u>0.042</u> | <u>0.037</u> | <u>0.036</u> | <u>0.054</u> |
| Diluted Earnings per Share | 24 | <u>0.042</u> | <u>0.036</u> | <u>0.036</u> | <u>0.052</u> |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| In Baht | | | | | | | | | | | | | |
|---|------|----------------------------------|-------------------|--------------------------------|----------------|-------------------------------------|--|--|--|----------------------------------|---|---------------------------|----------------------------|
| Consolidated | | | | | | | | | | | | | |
| Other Components of Equity | | | | | | | | | | | | | |
| | Note | Issued and Paid-up Share Capital | Premium on Shares | Retained Earnings | | Revaluation Surplus on Assets - Net | Surplus on Business Combination under Common Control | Share of Other Comprehensive Loss from Associate | Loss on Change in Proportion of Investment in Subsidiary | Total Other Components of Equity | Equity Attributable to Owners of the Parent | Non-Controlling Interests | Total Shareholders' Equity |
| | | | | Appropriated for Legal Reserve | Unappropriated | | | | | | | | |
| Beginning balance as at January 1, 2018 | | 207,501,863 | 386,025,910 | 23,100,000 | 361,212,363 | 271,734,113 | (217,641,795) | - | (1,454,070) | 52,638,248 | 1,030,476,384 | (3,916,424) | 1,026,559,960 |
| Appropriation for legal reserve | 21 | - | - | 2,500,000 | (2,500,000) | - | - | - | - | - | - | - | - |
| Increase in non-controlling interests from increase in share capital of subsidiary and change in proportion of investment in subsidiaries | 9 | - | - | - | - | - | - | - | - | - | - | 30,125,000 | 30,125,000 |
| Change in proportion of investment in subsidiaries | 9 | - | - | - | - | - | - | - | 118,357 | 118,357 | 118,357 | (118,357) | - |
| Payment of dividends | 25 | - | - | - | (52,433,235) | - | - | - | - | - | (52,433,235) | - | (52,433,235) |
| Proceeds from increase in share capital | 20 | 32,349,408 | 382,091,482 | - | - | - | - | - | - | - | 414,440,890 | - | 414,440,890 |
| Transfer to retained earnings | | - | - | - | 29,409,190 | (29,409,190) | - | - | - | (29,409,190) | - | - | - |
| Total comprehensive income for the year | | - | - | - | 33,758,602 | - | - | (424,000) | - | (424,000) | 33,334,602 | (4,706,507) | 28,628,095 |
| Ending balance as at December 31, 2018 | | 239,851,271 | 768,115,392 | 25,600,000 | 369,446,920 | 242,324,923 | (217,641,795) | (424,000) | (1,335,713) | 22,923,415 | 1,425,936,998 | 21,383,712 | 1,447,320,710 |
| Appropriation for legal reserve | 21 | - | - | 1,800,000 | (1,800,000) | - | - | - | - | - | - | - | - |
| Payment of dividends | 25 | - | - | - | (29,002,120) | - | - | - | - | - | (29,002,120) | - | (29,002,120) |
| Proceeds from increase in share capital | 20 | 20,618 | 226,807 | - | - | - | - | - | - | - | 247,425 | - | 247,425 |
| Transfer to retained earnings | | - | - | - | 29,350,809 | (29,600,808) | 249,999 | - | - | (29,350,809) | - | - | - |
| Total comprehensive income for the year | | - | - | - | 39,257,707 | - | - | (2,398,000) | - | (2,398,000) | 36,859,707 | (1,016,680) | 35,843,027 |
| Ending balance as at December 31, 2019 | | 239,871,889 | 768,342,199 | 27,400,000 | 407,253,316 | 212,724,115 | (217,391,796) | (2,822,000) | (1,335,713) | (8,825,394) | 1,434,042,010 | 20,367,032 | 1,454,409,042 |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | | In Baht | | | | | | | | | |
|--|------|---|----------------------|--------------------------------------|----------------|----------------------------|-----------------------------|---|--|---------------|----------------------------------|
| | | Separate Financial Statements | | | | | | | | | |
| | Note | Issued and Paid-up Share Capital | Premium on Shares | Retained Earnings | | Other Components of Equity | | | | | Total Shareholders' Equity |
| | | | | | | | | | | | |
| | | | | Appropriated for Legal Reserve | Unappropriated | Total | Revaluation Assets - Net | Surplus on Combination under Common Control | Total Other Components of Equity | Total | |
| Beginning balance as at January 1, 2018 | | 207,501,863 | 386,023,910 | 23,100,000 | 361,378,553 | 978,004,326 | 271,734,113 | (217,641,795) | 54,092,318 | 1,032,096,644 | |
| Payment of dividends | 25 | - | - | - | (52,433,235) | (52,433,235) | - | - | - | (52,433,235) | |
| Appropriation for legal reserve | 21 | - | - | 2,500,000 | (2,500,000) | - | - | - | - | - | |
| Proceeds from increase in share capital | 20 | 32,349,408 | 382,091,482 | - | - | 414,440,890 | - | - | - | 414,440,890 | |
| Transfer to retained earnings | | - | - | - | 29,409,190 | 29,409,190 | (29,409,190) | - | (29,409,190) | - | |
| Total comprehensive income for the year | | - | - | - | 48,540,169 | 48,540,169 | - | - | - | 48,540,169 | |
| Ending balance as at December 31, 2018 | | 239,851,271 | 768,115,392 | 25,600,000 | 384,394,677 | 1,417,961,340 | 242,324,923 | (217,641,795) | 24,683,128 | 1,442,644,468 | |
| Payment of dividends | 25 | - | - | - | (29,002,120) | (29,002,120) | - | - | - | (29,002,120) | |
| Appropriation for legal reserve | 21 | - | - | 1,800,000 | (1,800,000) | - | - | - | - | - | |
| Proceeds from increase in share capital | 20 | 20,618 | 226,807 | - | - | 247,425 | - | - | - | 247,425 | |
| Transfer to retained earnings | | - | - | - | 29,350,809 | 29,350,809 | (29,600,808) | 249,999 | (29,350,809) | - | |
| Total comprehensive income for the year | | - | - | - | 33,719,898 | 33,719,898 | - | - | - | 33,719,898 | |
| Ending balance as at December 31, 2019 | | 239,871,889 | 768,342,199 | 27,400,000 | 416,663,264 | 1,452,277,352 | 212,724,115 | (217,391,796) | (4,667,681) | 1,447,609,671 | |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | In Baht | | | |
|---|---------------------|----------------------|-------------------------------|----------------------|
| | Consolidated | | Separate Financial Statements | |
| | 2019 | 2018 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax expense | 41,849,934 | 42,261,437 | 36,944,269 | 61,309,178 |
| Adjustments | | | | |
| Depreciation and amortization | 74,473,662 | 77,297,755 | 73,917,128 | 74,936,407 |
| Increase in allowance for doubtful accounts | 23,344,893 | 4,094,010 | 22,831,534 | 3,489,335 |
| Expenses on post-employment benefits | 2,609,248 | 447,388 | 2,609,248 | 447,388 |
| Increase in allowance for diminution in value of obsolete and slow-moving inventories | 1,421,174 | 1,178,487 | 1,421,174 | 1,178,487 |
| Share of loss (profit) from investment in associate and joint venture | (10,757,000) | 873,000 | - | - |
| Loss (gain) on valuation of fair value of derivatives | (108) | 2,597 | (108) | 2,597 |
| Unrealized loss (gain) on exchange rate | 197,311 | (477,640) | 197,311 | (477,640) |
| Gain on sales of equipment | (7,153,915) | (7,991,126) | (7,116,701) | (7,914,715) |
| Loss on sales of intangible assets | 264,733 | - | - | - |
| Loss on written-off assets | 3,180,136 | 2,565,257 | 2,831,635 | 198,343 |
| Gain on sales of current investment | (212,498) | (135,575) | (212,498) | (23,819) |
| Interest income | (10,131,773) | (8,118,698) | (7,743,418) | (6,799,924) |
| Intetest expense | 115,434,466 | 101,238,007 | 112,228,288 | 97,060,145 |
| Decrease (increase) in operating assets | | | | |
| Trade receivables | 25,870,401 | (40,523,827) | 25,176,682 | (38,565,626) |
| Inventories | (208,588,250) | (174,768,499) | (209,531,875) | (182,094,812) |
| Other current assets | (13,865,592) | (4,974,601) | (19,020,235) | (8,509,773) |
| Intangible assets | 931,500 | - | - | - |
| Other non-current assets | (18,064,868) | (70,392,303) | 1,751,418 | (72,528,522) |
| Increase (decrease) in operating liabilities | | | | |
| Trade payables | (36,286,092) | (10,399,532) | (36,286,092) | (10,064,754) |
| Other payables - related parties | (1,849,166) | 327,631 | (1,901,666) | 367,631 |
| Accrued expenses and other current liabilities | (21,762,747) | (6,275,229) | (20,410,610) | (7,200,786) |
| Cash paid in operations | (39,094,551) | (93,771,461) | (22,314,516) | (95,190,860) |
| Income tax paid | (19,798,949) | (16,750,603) | (19,659,345) | (16,067,446) |
| Net Cash Used in Operating Activities | (58,893,500) | (110,522,064) | (41,973,861) | (111,258,306) |

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | In Baht | | | |
|---|---------------------|----------------------|-------------------------------|----------------------|
| | Consolidated | | Separate Financial Statements | |
| | 2019 | 2018 | 2019 | 2018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Increase in restricted deposits at banks | (20,840,708) | (751,207) | (20,840,708) | (751,207) |
| Increase in short-term loans to related parties | (7,600,000) | (152,925,530) | (76,000,000) | (22,925,530) |
| Collections on short-term loans to related parties | 7,926,000 | 90,000,000 | 63,925,530 | - |
| Increase in short-term loans to other parties | (35,000,000) | (65,000,000) | - | - |
| Collections on short-term loans to other parties | 100,000,000 | - | - | - |
| Increase in current investment | (120,000,000) | (195,000,000) | (120,000,000) | (145,000,000) |
| Proceeds from sales of current investment | 175,212,498 | 130,135,575 | 175,212,498 | 80,023,819 |
| Increase in investment in subsidiary | - | - | (140,000,000) | (30,699,994) |
| Proceeds from sale of investment in subsidiary | - | - | - | 5,374,994 |
| Increase in investment in associate and joint venture | (14,049,600) | (39,046,473) | - | - |
| Increase in deposit for investment project | (25,000,000) | - | (25,000,000) | - |
| Increase in advance for purchase of investment | (95,000,000) | - | (95,000,000) | - |
| Increase in advances for share subscription | (28,750,000) | - | - | (78,375,000) |
| Additions to plant and equipment | (56,216,719) | (135,916,762) | (52,633,348) | (117,785,037) |
| Additions to intangible assets | (424,672) | (531,350) | (424,672) | - |
| Proceeds from sales of equipment | 8,897,308 | 9,130,366 | 7,327,103 | 9,194,766 |
| Interest received | 15,009,485 | 4,269,365 | 10,997,087 | 3,965,145 |
| Net Cash Used in Investing Activities | (95,836,408) | (355,636,016) | (272,436,510) | (296,978,044) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase in bank overdrafts and short-term borrowings from financial institutions | 31,637,523 | 59,071,363 | 32,815,383 | 59,060,454 |
| Decrease in factoring payables | (5,216,258) | (2,283,303) | (5,216,258) | (2,283,303) |
| Increase (decrease) in short-term loans from other parties | (86,000,000) | 5,000,000 | 14,000,000 | (90,000,000) |
| Increase in short-term loans from related parties | - | - | 154,200,000 | 80,000,000 |
| Repayments to short-term loans from related parties | - | - | (145,500,000) | (40,000,000) |
| Decrease in liabilities under hire purchase agreements | (2,896,556) | (5,442,248) | (2,896,556) | (5,442,248) |
| Increase in long-term borrowings | 39,590,000 | 20,362,564 | 39,590,000 | 20,362,564 |
| Repayments of long-term borrowings | (20,230,416) | (64,111,318) | (17,611,513) | (56,409,022) |
| Issuance of debentures | 380,200,000 | 699,899,999 | 380,200,000 | 699,899,999 |
| Redemption of debentures | (90,100,000) | (500,000,000) | (90,100,000) | (500,000,000) |
| Debenture issuance costs | (7,802,000) | (18,997,500) | (7,802,000) | (18,997,500) |
| Proceeds from increase in share capital | 247,425 | 414,440,890 | 247,425 | 414,440,890 |
| Increase in non-controlling interests | - | 30,125,000 | - | - |
| Dividends paid | (29,002,120) | (52,433,235) | (29,002,120) | (52,433,235) |
| Interest paid | (103,996,086) | (93,885,126) | (101,425,588) | (88,528,953) |
| Net Cash Provided by Financing Activities | 106,431,512 | 491,747,086 | 221,498,773 | 419,669,646 |

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | In Baht | | | |
|---|-------------------|--------------------|-------------------------------|-------------------|
| | Consolidated | | Separate Financial Statements | |
| | 2019 | 2018 | 2019 | 2018 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (48,298,396) | 25,589,006 | (92,911,598) | 11,433,296 |
| Cash and Cash Equivalents at Beginning of Year | 132,358,949 | 106,769,943 | 98,435,576 | 87,002,280 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>84,060,553</u> | <u>132,358,949</u> | <u>5,523,978</u> | <u>98,435,576</u> |

Supplementary disclosures of cash flow information:

a. Cash and cash equivalents at end of year

| | | | | |
|----------------------------------|-------------------|--------------------|------------------|-------------------|
| Cash in hand | 621,707 | 569,657 | 405,199 | 350,437 |
| Current accounts at banks | 11,919,375 | 3,869,722 | 3,984,365 | 3,448,269 |
| Savings deposits at banks | 71,059,996 | 63,907,774 | 674,939 | 30,625,074 |
| Short-term fixed deposit at bank | 459,475 | 64,011,796 | 459,475 | 64,011,796 |
| Total | <u>84,060,553</u> | <u>132,358,949</u> | <u>5,523,978</u> | <u>98,435,576</u> |

b. Non-cash transactions

| | | | | |
|--|------------|------------|------------|------------|
| Purchases of equipment by means of payables | 5,122,000 | 11,506,666 | 5,122,000 | 11,506,666 |
| Interest on long-term loan capitalized as cost of fixed assets | 965,736 | 629,022 | 965,736 | 629,022 |
| Transfer of advances for share subscription to investment in joint venture | - | 51,723,500 | - | - |
| Transfer of advances for share subscription to other current assets | - | 6,674,000 | - | - |
| Transfer of loan to related person to advances for share subscription | 50,000,000 | - | 50,000,000 | - |
| Transfer of loan to other party and interest receivable to other installment receivables | 58,304,246 | - | 58,304,246 | - |

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

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements
December 31, 2019 and 2018

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 10 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong 21110. The Company’s total number of branches is 2 which comprises branch located in Pathumthani and Rayong.

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 sales of 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.

Planet Board Co., Ltd. (“PNB”), the subsidiary of which shares are held at 57% 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.

2. BASIS FOR THE FINANCIAL STATEMENT PREPARATION

The accompanying financial statements are prepared in Thai Baht, which is core functional currency of the Company, and are in the Thai language in accordance with the financial reporting standards in Thailand including interpretations and guidelines promulgated by the Federation of Accounting Professions (“TFAC”), 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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

The consolidated financial statements for the years ended December 31, 2019 and 2018 included the accounts of the Company and its subsidiaries in which the Company has the controlling power or direct / indirect shareholding as follows:

| Name of Subsidiaries | Type of Business | Country of Incorporation and Operation | Percentage of Shareholding | |
|------------------------|---|--|----------------------------|-------|
| | | | 2019 | 2018 |
| VV-Décor Co., Ltd. | Sales of laminating papers and furniture- decorating supplies | Thailand | 99.95 | 99.95 |
| ECF Holdings Co., Ltd. | Sales of sundry goods imported from abroad | Thailand | 75.00 | 75.00 |
| ECF Power Co., Ltd. | Holding company in energy business | Thailand | 99.99 | 99.99 |
| Planet Board Co., Ltd | Manufacturing and sales of wood-base panel, i.e. MDF board and particle board | Thailand | 57.00 | 57.00 |

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

Starting from January 1, 2019, the Group had adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Interpretation (TSIC), and Thai Financial Reporting Interpretation (TFRIC), newly issued and revised by TFAC, which became effective from the accounting period starting on or after January 1, 2019. The aforesaid adoption of newly issued and revised TAS and TFRS as well as TSIC and TFRIC did not have any material effect on the Group, except for TFRS 15 “Revenue from Contracts with Customers”.

TFRS 15 specifies the principles for characteristics, amount, timing as well as uncertainty of revenue and contractual cash flows from contract with customer. Under the revenue recognition regarding TFRS 15, the entity shall comply with the following five-step model of revenue recognition:

1. Identifying the contract with customer
2. Identifying the contractual performance obligations
3. Determining the transaction prices
4. Allocating the transaction prices to the contractual performance obligations
5. Recognizing revenue when the contractual performance obligations have been satisfied or being satisfied at a point in time or over time.

In consideration about transaction prices, the Company assessed and found that certain discounts and service charges, directly relating to sales, monthly billed from retailers are under same contracts or agreements for sales to retailers whereby the services rendered by retailers are considered not distinct but significantly relevant to the Company’s sales of goods through retailers. Accordingly, the Company made reclassification of accounts for such discounts and service charges, amounting to approximately Baht 61.5 million which were previously presented as distribution costs, to net with net sales as discussed in Note 35.

Subsequently, TFAC issued several Notifications which were announced in the Royal Gazette during 2019 regarding the new and revision of TAS and TFRS as well as TSIC and TFRIC and accounting guidance with effective from the accounting period starting on or after January 1, 2020 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 and accounting guidance are as follows:

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | |
|----------|--|
| TAS 1 | Presentation of Financial Statements |
| TAS 2 | Inventories |
| TAS 7 | Statement of Cash Flows |
| TAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 | Events after the Reporting Period |
| TAS 12 | Income Taxes |
| TAS 16 | Property, Plant and Equipment |
| TAS 19 | Employee Benefits |
| TAS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 | The Effects of Changes in Foreign Exchange Rates |
| TAS 23 | Borrowing Costs |
| TAS 24 | Related Party Disclosures |
| TAS 26 | Accounting and Reporting by Retirement Benefit Plans |
| TAS 27 | Separate Financial Statements |
| TAS 28 | Investments in Associates and Joint Ventures |
| TAS 29 | Financial Reporting in Hyperinflationary Economies |
| TAS 32 | Financial Instruments: Presentation |
| TAS 33 | Earnings per Share |
| TAS 34 | Interim Financial Reporting |
| TAS 36 | Impairment of Assets |
| TAS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 | Intangible Assets |
| TAS 40 | Investment Property |
| TAS 41 | Agriculture |
| TFRS 1 | First-time Adoption of International Financial Reporting Standards |
| TFRS 2 | Share-based Payment |
| TFRS 3 | Business Combinations |
| TFRS 4 | Insurance Contracts |
| TFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 8 | Operating Segments |
| TFRS 9 | Financial Instruments |
| TFRS 10 | Consolidated Financial Statements |
| TFRS 11 | Joint Arrangements |
| TFRS 12 | Disclosure of Interests in Other Entities |
| TFRS 13 | Fair Value Measurement |
| TFRS 15 | Revenue from Contracts with Customers |
| TFRS 16 | Leases |
| TSIC 10 | Government Assistance - No Specific Relation to Operating Activities |
| TSIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |
| TSIC 29 | Service Concession Arrangements: Disclosures |
| TSIC 32 | Intangible Assets - Web Site Costs |
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| TFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| TFRIC 7 | Applying the Restatement Approach under TAS 29 "Financial Reporting in Hyperinflationary Economies" |
| TFRIC 10 | Interim Financial Reporting and Impairment |
| TFRIC 12 | Service Concession Arrangements |
| TFRIC 14 | TAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | |
|---------------------|--|
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 17 | Distributions of Non-cash Assets to Owners |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| TFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |
| TFRIC 21 | Levies |
| TFRIC 22 | Foreign Currency Transactions and Advance Consideration |
| TFRIC 23 | Uncertainty over Income Tax Treatments |
| Accounting guidance | Exemption for business combination under common control: first-time adoption of Thai financial reporting standards |

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 new and revised TAS and TFRS as well as TSIC and TFRIC and accounting guidance with effective in 2020, except:

TFRS 9 (and other related standards)

TFRS 9 specifies the methods that the entity shall classify and measure its financial assets, financial liabilities, and contracts to purchase or sell the non-financial items. TFRS 9 is divided into the following three parts:

1. Classification and measurement
2. Impairment
3. Hedge accounting

Financial assets shall be classified and measured with respect to the business model on asset management and characteristics of the asset's contractual cash flows which is divided into three categories i.e. amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Upon changes in business model on financial asset management are known, the affected financial assets shall be considered for proper reclassification.

Financial liabilities shall be classified and measured at amortized cost except for financial liabilities measured at fair value through profit or loss (such liabilities include derivative liabilities). Reclassification of financial liabilities is prohibited.

Impairment of financial assets shall be recognized in the following stages:

1. Stage 1: the 12-month expected credit loss shall be recognized in profit or loss. Interest income (if any) shall be calculated base on gross carrying amount without netting the allowance for expected credit loss.
2. Stage 2: upon significant rise in credit risk and not being at low level, the entity shall recognize the full lifetime credit loss in profit or loss. Interest income (if any) shall be calculated based on the same principle to Stage 1.
3. Stage 3: upon significant rise in credit risk of financial asset that is considered as credit impaired, Interest income (if any) shall be calculated base on gross carrying amount net of the allowance for expected credit loss.

Hedge accounting is purposed for reflecting the impacts in the financial statements that are caused in risk management activities using the financial instruments on management of exposures to the risks and such risks shall affect profit or loss and/or other comprehensive income. TFRS 9 specifies the relationships of hedge accounting into three categories i.e. fair value hedge, cash flows hedge, and hedge of net investment in foreign entity.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Thus, TFRS 9 affects the Group to reclassify and measure its financial assets and financial liabilities in the consolidated and separate statements of financial position for each of the periods ended in 2020 with respect to aforesaid principle whereby the effect has been during assessment of the management which is expected to be completed within the first quarter of 2020.

TFRS 16 Leases

TFRS 16 specifies that lessee shall recognize right-of-use in asset (a kind of asset) and lease liability (a kind of liability) for all lease agreements with exception for short-term lease agreement (not exceeding 12-month period) or lease agreement for the underlying low-value asset. Right-of-use in asset shall be depreciated by straight-line method over the lease term or any other systematic basis with better reflection of information. Lease liability shall be discounted for cash flows of payments throughout the lease term whereby the discount rate shall be considered appropriate in situation and to the entity.

For lessor, classification and accounting for operating lease or finance lease is still required as previously done. Therefore, there is no significant change or impact on the lessor.

Thus, TFRS 16 affects the Group to recognize the right-of-use in asset and the lease liability on several assets under lease agreements whereby the balances of non-current asset and non-current liability in statements of financial position as at December 31, 2019 shall be increased from those reported whereby the effect has been during assessment of the management which is expected to be completed within the first quarter of 2020 whereas effect to statements of comprehensive income is insignificant.

The Group disclosed information for the year ended December 31, 2018 for being the comparative information in the financial statements for the year ended December 31, 2019 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.

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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 Associate and Joint Venture

Investment in associate and joint venture in the consolidated financial statements is accounted for using the equity method.

Associate is the entity in which the Company or the Group has significant influence, but not control, over the financial and operating policies. Joint venture is joint arrangement in the entity in which the Company or the Group has joint control among other venturers in that entity. The consolidated financial statements of the Group include share of profit or loss of associate and joint venture, on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the share of loss exceeds its interest in any associate and joint venture, the investment in such associate and joint venture shall be reduced to nil and recognition of further loss shall be ceased except to the extent that the Company or the Group has legal or constructive obligations or consents to settle the obligations on behalf of the associate and joint venture.

Current Investment

Current 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.

Current investment in short-term bill of exchange is stated at amortized cost net of allowance for impairment (if any).

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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 and estimate of liability for post-employment benefits
- Expected periods and amounts 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.

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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.

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 | 5 and 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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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.

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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.

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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 whereby there is consideration about characteristics, amount, timing as well as uncertainty of revenue and contractual cash flows from contract with customer.

Sales are recognized, at a point in time, net of discounts and considerations paid to customer or buyer (see Notes 2 and 35) when delivery has taken place and transfer of risks and rewards of ownership as well as control of goods to the buyer has been completed.

Service income is recognized, at a point in time, when the Company has completely rendered service and delivered to the customer and on an accrual basis.

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

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.

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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.

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").

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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.

Earnings per Share

Basic earnings per share is 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 whereas diluted earnings per share is 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.

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. | Sales of 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 | Joint venture |
| 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 joint venture 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 joint venture |
| Safe Biomass Co., Ltd. | Wood chip plant for use as fuel for biomass power plant | Subsidiary of joint venture |
| 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 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| Name of Companies / Persons | Type of Business | Type of Relationship |
|----------------------------------|---|---|
| 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 |
| B.V. Parawood Co., Ltd. | Manufacturing and sales of furniture and 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 |
| Prize of Wood Industry Co., Ltd. | Manufacturing and sales of wood-base panel, i.e. wood sheet and rubber wood | Co-shareholders and co-directors with subsidiary of joint venture |
| Khun Wallop 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 Socatiyanurak | - | Director (key management) |
| Khun Songklod Jarusombuti | - | Director (key management) |
| Khun Ekarin Vasanason | - | 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).

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 and other income | Mutually agreed price |
| Sales of investment | At carrying amount |
| Purchases of raw materials / inventories / supplies | Prices approximated market prices |
| Purchases - sales of equipment | 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 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Significant transactions with related parties for the years ended December 31, 2019 and 2018 are as follows:

| | In Thousand Baht | | | |
|---|------------------|--------|------------------------------|--------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Sales of products | | | | |
| Subsidiary | - | - | 8,533 | 13,392 |
| Related companies | 25,130 | 16,981 | 25,130 | 16,981 |
| Total | 25,130 | 16,981 | 33,663 | 30,373 |
| Interest income | | | | |
| Subsidiary | - | - | 2,821 | 463 |
| Associate | 58 | 58 | - | - |
| Joint venture | 932 | 228 | - | - |
| Related person | 2,805 | 1,492 | - | - |
| Total | 3,795 | 1,778 | 2,821 | 463 |
| Space rental income | | | | |
| Subsidiary | - | - | 3 | 10 |
| Other income | | | | |
| Related companies | 1,326 | - | 879 | - |
| Sales of equipment | | | | |
| Subsidiary | - | - | - | 60 |
| Related company | 3 | - | - | - |
| Total | 3 | - | - | 60 |
| Sales of investment in subsidiary | | | | |
| Related persons | - | - | - | 5,375 |
| Purchases of inventories and raw materials or supplies | | | | |
| Subsidiary | - | - | - | 4 |
| Purchase of equipment | | | | |
| Subsidiary | - | - | 542 | 816 |
| Showroom rental and service charges | | | | |
| Related company | 9,084 | 18,910 | 9,084 | 18,910 |
| Interest expense | | | | |
| Subsidiary | - | - | 1,404 | 1,630 |
| Key management's remunerations | | | | |
| Short-term benefits | 18,972 | 23,308 | 18,972 | 23,308 |
| Post-employment benefits | 1,424 | 477 | 1,424 | 477 |
| Total | 20,396 | 23,785 | 20,396 | 23,785 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Significant outstanding balances with related parties as at December 31, 2019 and 2018 are as follows:

| | In Thousand Baht | | | |
|--|------------------|--------|------------------------------|--------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Trade receivables | | | | |
| Subsidiary | - | - | 4,029 | 7,825 |
| Related companies | 6,517 | 6,083 | 6,517 | 6,083 |
| Total | 6,517 | 6,083 | 10,546 | 13,908 |
| Other installment receivables (see Note 7) | | | | |
| Related person | | | | |
| Due for payments within one year | 8,325 | - | 8,325 | - |
| Due for payments after one year but not exceeding three years | 11,110 | - | 11,110 | - |
| Total | 19,435 | - | 19,435 | - |
| Interest receivable (other current assets) | 19 | - | 19 | - |
| Total | 19,454 | - | 19,454 | - |
| Other receivables (other current assets) | | | | |
| Subsidiary | - | - | 2,720 | 1,451 |
| Related companies | 114 | - | 114 | - |
| Total | 114 | - | 2,834 | 1,451 |
| Advances (other current assets) | | | | |
| Joint venture | - | 4,674 | - | - |
| Short-term loans and interest receivable | | | | |
| Interest receivable | | | | |
| Subsidiary | - | - | 1,826 | 275 |
| Associate | 141 | 83 | - | - |
| Joint venture | 1,132 | 228 | - | - |
| Related person | - | 945 | - | - |
| Short-term loans | | | | |
| Subsidiary (interest rate at 5.5% - 7% p.a. and due at call) | - | - | 35,000 | 22,925 |
| Associate (interest rate at 5% p.a. and due at call) | 1,161 | 1,161 | - | - |
| Joint venture (interest rate at 7.0% - 7.5% p.a. and due at call) | 12,600 | 12,926 | - | - |
| Related person (interest rate at 7.5% p.a. and due at call) | - | 50,000 | - | - |
| Total | 15,034 | 65,343 | 36,826 | 23,200 |
| Advance for share subscription | | | | |
| Subsidiary | - | - | 78,375 | 78,375 |
| Associate | 78,750 | - | - | - |
| Total | 78,750 | - | 78,375 | 78,375 |
| Guarantees on rental and services for showrooms | | | | |
| Related company | 2 | 4,603 | 2 | 4,603 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | In Thousand Baht | | | |
|--|------------------|-------|------------------------------|--------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Guarantees on construction of power plant project | | | | |
| Associate | 20,000 | - | - | - |
| Other payables | | | | |
| Subsidiary | - | - | - | 53 |
| Related companies | - | 1,849 | - | 1,849 |
| Total | - | 1,849 | - | 1,902 |
| Short-term loan and interest payable | | | | |
| Interest payable | | | | |
| Subsidiary | - | - | 793 | 238 |
| Short-term loans | | | | |
| Subsidiary (interest rate at 7.0% and 7.5% p.a. and due at call) | - | - | 48,700 | 40,000 |
| Total | - | - | 49,493 | 40,238 |

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

| | Consolidated (In Thousand Baht) | | |
|--|---------------------------------|---------------------------|----------|
| | December 31, 2018 | Movements during the year | |
| | | Increase | Decrease |
| Short-term loans to | | | |
| Green Earth Power (Thailand) Co., Ltd. | 1,161 | - | - |
| Safe Energy Holdings Co., Ltd. | 12,926 | 7,600 | 7,926 |
| Director of associate | 50,000 | - | 50,000 |

| | Separate Financial Statement (In Thousand Baht) | | |
|------------------------|---|---------------------------|----------|
| | December 31, 2018 | Movements during the year | |
| | | Increase | Decrease |
| ECF Holdings Co., Ltd. | 10,000 | 25,000 | - |
| ECF Power Co., Ltd. | 12,925 | 51,000 | 63,925 |

| | Separate Financial Statement (In Thousand Baht) | | |
|-------------------------|---|-----------------------------|----------|
| | December 31, 2018 | Movements during the Period | |
| | | Increase | Decrease |
| Short-term loans | | | |
| ECF Power Co., Ltd. | 40,000 | 26,000 | 40,000 |
| Planet Board Co., Ltd. | - | 128,200 | 105,500 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

5. TRADE RECEIVABLES

As at December 31, 2019 and 2018, trade receivables classified by outstanding period are as follows:

| | In Thousand Baht | | | |
|--------------------------------------|------------------|-----------------|------------------------------|-----------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| <i><u>Related companies</u></i> | | | | |
| Current | 4,945 | 4,316 | 6,589 | 6,757 |
| Overdue : | | | | |
| Not exceeding 3 months | 1,559 | 1,754 | 3,763 | 5,643 |
| Between 3 months - 6 months | - | - | 181 | 1,495 |
| Over 12 months | 13 | 13 | 13 | 13 |
| Total | <u>6,517</u> | <u>6,083</u> | <u>10,546</u> | <u>13,908</u> |
| <i><u>Other companies - net</u></i> | | | | |
| Current | 173,475 | 181,953 | 172,544 | 179,283 |
| Overdue : | | | | |
| Not exceeding 3 months | 56,940 | 73,621 | 55,663 | 70,947 |
| Between 3 months - 6 months | 8,720 | 20,398 | 8,696 | 19,091 |
| Between 6 months - 12 months | 11,704 | 32,451 | 11,704 | 31,762 |
| Over 12 months | 49,419 | 18,407 | 46,426 | 16,031 |
| Total | <u>300,258</u> | <u>326,830</u> | <u>295,033</u> | <u>317,114</u> |
| Less Allowance for doubtful accounts | <u>(23,458)</u> | <u>(5,005)</u> | <u>(21,237)</u> | <u>(3,297)</u> |
| Net | <u>276,800</u> | <u>321,825</u> | <u>273,796</u> | <u>313,817</u> |

As at December 31, 2019 and 2018, the Company discounted, under factoring, its trade receivables amounting to approximately Baht 130.0 million and Baht 136.9 million, respectively, with three local financial institutions (under credit facilities totalling Baht 275 million), whereby such financial institutions can take recourse action on the Company amounting to approximately Baht 108.2 million and Baht 113.4 million, respectively. The Company presented such amounts of obligation under the recourse action as "Factoring payables" in the statements of financial position.

6. INVENTORIES - NET

| | In Thousand Baht | | | |
|--|------------------|------------------|------------------------------|------------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Finished goods | 382,229 | 331,522 | 381,700 | 330,049 |
| Work-in-process | 889,633 | 738,255 | 889,633 | 738,255 |
| Raw materials | 66,156 | 61,406 | 66,156 | 61,406 |
| Factory supplies | 41,556 | 40,745 | 41,556 | 40,745 |
| Inventories in transit | 5,455 | 4,514 | 5,455 | 4,514 |
| Total | <u>1,385,029</u> | <u>1,176,442</u> | <u>1,384,500</u> | <u>1,174,969</u> |
| Less Allowance for diminution in value of obsolete and slow moving inventories | <u>(5,656)</u> | <u>(4,235)</u> | <u>(5,656)</u> | <u>(4,235)</u> |
| Net | <u>1,379,373</u> | <u>1,172,207</u> | <u>1,378,844</u> | <u>1,170,734</u> |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

As at December 31, 2019 and 2018, the written-down amount of inventory 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, 2019 and 2018 amounting to approximately Baht 8.5 million and Baht 6.5 million, respectively.

**7. LOANS TO OTHER PARTIES OF WHICH RIGHTS DISPOSED TO BE
OTHER INSTALLMENT RECEIVABLES**

Previously, this account represented loan to Inter Far East Energy Corporation Public Company Limited (“IFEC”) that is secured by common shares of a subsidiary of IFEC and is 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, whereby CRS is other subsidiary of IFEC. On December 22, 2017, the Company, IFEC, and CRS entered into the Memorandum of Understanding (“MOU”) 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. Such loan had been charged for interest until all conditions under such MOU are fulfilled. The Company and IFEC had negotiated and mutually agreed to extend duration for due diligence process to be within November 30, 2019 as well as duration for entering into purchase-sale agreement of the business to be within December 31, 2019.

However, the due diligence process has been in progress and cannot be assessed for its completion, the Board of Directors’ meeting on December 24, 2019, therefore, passed the resolution to approve the Company to dispose the rights under aforesaid loan agreement as well as related pledge agreement and MOU to (1) a non-related person who is shareholder of the venturer and director of the Company’s joint venture and (2) a major shareholder and director of the Company at the portion of two-third and one-third, respectively, of the balance of loan principal including interest as at December 24, 2019 (totalling approximately Baht 58.30 million). Such amount is attributable to (1) totalling approximately Baht 38.87 million and (2) totalling approximately Baht 19.43 million. The disposal to (1) and (2) shall be collected in 7 installments, six-month period per installment, starting from December 2019. Installment for (1) and (2) amounted to approximately Baht 5.55 million and Baht 2.78 million, respectively. The Company also charges interest on installments from (1) and (2) at the rate of 6% per annum. Since December 24, 2019, the Company has not had any rights or agreements in connection with IFEC and the Company is no longer have intention to continue the due diligence and purchase-sale of the business with CRS. As at December 31, 2019, current portion of “Other installment receivables” to be collected from (1) and (2) amounted to approximately Baht 24.98 million while non-current portion amounted to approximately Baht 33.33 million.

8. RESTRICTED DEPOSITS AT BANKS

As at December 31, 2019 and 2018, the Company has collateralized its fixed deposits with two local banks amounting to approximately Baht 94 million and Baht 73 million, respectively, as guarantees for its short-term loan facilities with such banks.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

9. INVESTMENT IN SUBSIDIARIES ACCOUNTED FOR USING THE COST METHOD

| | Separate Financial Statement | | | | | |
|------------------------|--|---------|-------------------------------|-------|--|----------------|
| | Authorized Share Capital (In Thousand Baht) | | Percentage of Shareholding | | Cost of Investment (In Thousand Baht) | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| 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. | 687,652 | 547,652 | 99.99 | 99.99 | 687,652 | 547,652 |
| Planet Board Co., Ltd. | 50,000 | 50,000 | 57.00 | 57.00 | 7,125 | 7,125 |
| Total | | | | | <u>703,277</u> | <u>563,277</u> |

During 2019 and 2018, the subsidiaries did not declare any dividends to the shareholders.

At the extraordinary shareholders' meeting of subsidiary, i.e. ECF Power Co., Ltd. ("ECF-P"), on October 8, 2019 and at the Board of Directors' meeting of the Company on October 9, 2019, the meetings passed the resolution to approve the increase in authorized share capital of ECF-P amounting to Baht 140 million (from previously Baht 547.7 million to Baht 687.7 million) which was the increase in share capital with respect to the existing proportion of the shareholders. ECF-P has increased its share capital and registered this increase in share capital with the Ministry of Commerce on October 9, 2019.

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 Planet Board Co., Ltd. ("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. Subsequently, 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 PNB's authorized share capital 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. Near the end of 2018, the Company paid advance payment for the incremental shares to PNB amounting to approximately Baht 78.4 million and still outstanding as at the end of 2019.

At the extraordinary shareholders' meeting of ECF Power Co., Ltd. ("ECF-P") on April 12, 2018, the shareholders unanimously passed the resolution to approve the increase in authorized share capital of ECF-P amounting to Baht 25 million (from approximately Baht 522.7 million to Baht 547.7 million). ECF-P has increased its share capital and registered this increase in share capital with the Ministry of Commerce on April 24, 2018. During 2018, the Company paid for such increase its share capital together with the unpaid first share subscription to ECF-P totalling Baht 30.7 million.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Significant financial information in the financial statements for the years 2019 and 2018 of ECF-H which included the non-controlling interests at the proportion of 25% is as follows:

| | In Million Baht | |
|--|-----------------|--------|
| | 2019 | 2018 |
| Other current assets | 2.5 | 4.3 |
| Other non-current assets | 0.2 | 6.6 |
| Other current liabilities | 41.1 | 45.3 |
| Other non-current liabilities | - | - |
| Shareholders' equity (capital deficiency) | (38.4) | (34.4) |
| Sales of goods | 2.3 | 10.6 |
| Other income | - | 0.1 |
| Profit (loss) for the year | (4.0) | (18.8) |
| Total comprehensive income (loss) for the year | (4.0) | (18.8) |

Significant financial information in the financial statements for the years 2019 and 2018 of PNB which currently included the non-controlling interests at the proportion of 43% is as follows:

| | In Million Baht | |
|--|-----------------|-------|
| | 2019 | 2018 |
| Other current assets | 94.0 | 98.2 |
| Other non-current assets | 22.2 | 19.1 |
| Other current liabilities | 0.9 | 2.0 |
| Shareholders' equity (capital deficiency) | 115.3 | 115.3 |
| Other income | 3.6 | 0.4 |
| Profit (loss) for the year | - | - |
| Total comprehensive income (loss) for the year | - | - |

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

10. INVESTMENT IN ASSOCIATE AND JOINT VENTURE ACCOUNTED FOR USING THE EQUITY METHOD

| | Percentage of Shareholding by Subsidiary (ECF-P) | | Consolidated (In Thousand Baht) | | | |
|---|--|-------|---------------------------------|---------|------------------|----------------|
| | | | Authorized Share Capital | | Investment Value | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Green Earth Power (Thailand) Co., Ltd. ("GEP") | 20.00 | 20.00 | 215,756 | 155,756 | 356,389 | 346,738 |
| Safe Energy Holding Co., Ltd. ("SAFE") | 33.37 | 33.37 | 581,000 | 581,000 | 227,711 | 214,954 |
| Total investment in associate and joint venture | | | | | <u>584,100</u> | <u>561,692</u> |

Share of profit from SAFE and share of loss from GEP for the year 2019 amounted to approximately Baht 12.8 million and Baht 2.0 million, respectively, whereas share of other comprehensive loss from GEP for the year 2019 amounted to approximately Baht 2.4 million. In addition, during the same period, the Company's subsidiary (ECF-P) additionally invested in GEP for shares amounting to approximately Baht 78.8 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 640.49 million during 2020 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.

In 2019, ECF-P has placed guarantee for construction of the solar power plant of its associate amounting to Baht 20.0 million which is refundable upon completion of construction of the solar power plant (all four phases). Such guarantee was presented as part of "Deposits and guarantees" in the consolidated statement of financial position as at December 31, 2019

ECF-P has used its 311,512 share certificates (72% of the entire shares invested) of investment in GEP as guarantee for payments of construction costs of the solar power plant project in Myanmar of GEPM to two subsidiaries of Meta Corporation 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 COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Significant financial information in the consolidated financial statements for the years 2019 and 2018 of GEP and SAFE, which are material to the Group, is as follows:

| | 2019 - In Million Baht | |
|---|------------------------|-------|
| | GEP | SAFE |
| Other current assets | 344.4 | 195.3 |
| Other non-current assets | 2,307.3 | 815.7 |
| Other current liabilities | 2,283.2 | 173.8 |
| Other non-current liabilities | 23.6 | 135.8 |
| Revenues | 835.8 | 253.4 |
| Profit (loss) for the year | 13.4 | 38.3 |
| Total comprehensive income (loss) for the year | (22.0) | 38.3 |
| Shareholders' equity (excluding non-controlling interests) | 344.9 | 680.7 |
| The Group's interest at the investment proportion | 69.0 | 226.8 |
| Purchase price of investment in excess of the Group's interest | 287.4 | 0.9 |
| Carrying amount of investment in which equity method is applied | 356.4 | 227.7 |

| | 2018 - In Million Baht | |
|---|------------------------|-------|
| | GEP | SAFE |
| Other current assets | 212.5 | 203.4 |
| Other non-current assets | 1,661.8 | 832.0 |
| Other current liabilities | 1,577.2 | 183.1 |
| Other non-current liabilities | 0.5 | 182.6 |
| Revenues | 1,312.8 | 233.1 |
| Profit (loss) for the year | (44.4) | 24.5 |
| Total comprehensive income (loss) for the year | (42.8) | 24.5 |
| Shareholders' equity (excluding non-controlling interests) | 296.6 | 642.5 |
| The Group's interest at the investment proportion | 59.3 | 214.1 |
| Purchase price of investment in excess of the Group's interest | 287.4 | 0.9 |
| Carrying amount of investment in which equity method is applied | 346.7 | 215.0 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

11. PROPERTY, PLANT AND EQUIPMENT – NET

| | Consolidated (In Thousand Baht) | | | | |
|--|--|---------------------------|---------------|---------------|---|
| | Beginning Balance as at January 1, 2019 | Movements During the Year | | | Ending Balance as at December 31, 2019 |
| | | Addition | Deduction | Transfer | |
| Cost | | | | | |
| Land | 140,764 | - | - | 22,045 | 162,809 |
| Land improvement | 9,709 | - | - | - | 9,709 |
| Building | 135,849 | - | - | 48,252 | 184,101 |
| Building improvement | 46,714 | 848 | - | 491 | 48,053 |
| Machinery and equipment | 362,855 | 4,483 | 1,632 | 38 | 365,744 |
| Electric system | 3,378 | 22 | - | 37,625 | 41,025 |
| Furniture, fixtures and office equipment | 17,108 | 1,438 | 288 | - | 18,258 |
| Furniture, fixtures and Showroom equipment | 2,562 | - | 2,531 | - | 31 |
| Vehicle | 65,107 | 700 | 9,411 | - | 56,396 |
| Utilities | 3,897 | - | - | - | 3,897 |
| Construction in progress and machinery under installation | 105,318 | 54,943 | - | (108,822) | 51,439 |
| Total Cost | 893,261 | 62,434 | 13,862 | (371) | 941,462 |
| Accumulated Depreciation | | | | | |
| Land improvement | 8,690 | 270 | - | - | 8,960 |
| Building | 53,115 | 8,155 | - | - | 61,270 |
| Building improvement | 16,639 | 3,097 | - | - | 19,736 |
| Machinery and equipment | 280,890 | 17,183 | 1,305 | - | 296,768 |
| Electric system | 2,349 | 1,202 | - | - | 3,551 |
| Furniture, fixtures and office equipment | 11,886 | 2,194 | 192 | - | 13,888 |
| Furniture, fixtures and Showroom equipment | 1,275 | 223 | 1,478 | - | 20 |
| Vehicle | 49,666 | 5,556 | 9,201 | - | 46,021 |
| Utilities | 3,896 | 1 | - | - | 3,897 |
| Total Accumulated Depreciation | 428,406 | 37,881 | 12,176 | - | 454,111 |
| 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 | 459,396 | | | | 481,892 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | Separate Financial Statement (In Thousand Baht) | | | | |
|--|---|---------------------------|---------------|--------------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2019 | Addition | Deduction | Transfer | 2019 |
| Cost | | | | | |
| Land | 140,764 | - | - | 22,045 | 162,809 |
| Land improvement | 9,709 | - | - | - | 9,709 |
| Building | 135,849 | - | - | 48,252 | 184,101 |
| Building improvement | 46,714 | 848 | - | 491 | 48,053 |
| Machinery and equipment | 362,203 | 4,483 | 980 | 38 | 365,744 |
| Electric system | 3,378 | 22 | - | 37,625 | 41,025 |
| Furniture, fixtures and office equipment | 16,262 | 1,438 | - | - | 17,700 |
| Vehicle | 65,107 | 700 | 9,411 | - | 56,396 |
| Utilities | 3,897 | - | - | - | 3,897 |
| Construction in progress and machinery under installation | 86,566 | 51,360 | - | (108,473) | 29,453 |
| Total Cost | 870,449 | 58,851 | 10,391 | (22) | 918,887 |
| Accumulated Depreciation | | | | | |
| Land improvement | 8,690 | 270 | - | - | 8,960 |
| Building | 53,115 | 8,155 | - | - | 61,270 |
| Building improvement | 16,639 | 3,098 | - | - | 19,737 |
| Machinery and equipment | 280,499 | 17,119 | 850 | - | 296,768 |
| Electric system | 2,349 | 1,201 | - | - | 3,550 |
| Furniture, fixtures and office equipment | 11,485 | 2,028 | - | - | 13,513 |
| Vehicle | 49,666 | 5,556 | 9,201 | - | 46,021 |
| Utilities | 3,896 | 1 | - | - | 3,897 |
| Total Accumulated Depreciation | 426,339 | 37,428 | 10,051 | - | 453,716 |
| 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 | 438,651 | | | | 459,712 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | Consolidated (In Thousand Baht) | | | | |
|--|--|---------------------------|-----------|----------|---|
| | Beginning Balance as at January 1, 2018 | Movements During the Year | | | Ending Balance as at December 31, 2018 |
| | | Addition | Deduction | Transfer | |
| Cost | | | | | |
| Land | 96,636 | 44,128 | - | - | 140,764 |
| Land improvement | 9,026 | 683 | - | - | 9,709 |
| Building | 135,849 | - | - | - | 135,849 |
| Building improvement | 44,152 | 2,562 | - | - | 46,714 |
| Machinery and equipment | 345,238 | 12,074 | - | 5,543 | 362,855 |
| Electric system | 2,196 | 1,182 | - | - | 3,378 |
| Furniture, fixtures and office equipment | 15,333 | 2,169 | 394 | - | 17,108 |
| Furniture, fixtures and Showroom equipment | 3,416 | - | 854 | - | 2,562 |
| Vehicle | 74,729 | 1,824 | 11,446 | - | 65,107 |
| Utilities | 3,897 | - | - | - | 3,897 |
| Construction in progress and machinery under installation | 26,550 | 84,311 | - | (5,543) | 105,318 |
| Total Cost | 757,022 | 148,933 | 12,694 | - | 893,261 |
| Accumulated Depreciation | | | | | |
| Land improvement | 8,448 | 242 | - | - | 8,690 |
| Building | 46,323 | 6,792 | - | - | 53,115 |
| Building improvement | 13,734 | 2,905 | - | - | 16,639 |
| Machinery and equipment | 261,564 | 19,326 | - | - | 280,890 |
| Electric system | 2,095 | 254 | - | - | 2,349 |
| Furniture, fixtures and office equipment | 9,727 | 2,342 | 183 | - | 11,886 |
| Furniture, fixtures and Showroom equipment | 1,005 | 534 | 264 | - | 1,275 |
| Vehicle | 53,682 | 6,199 | 10,215 | - | 49,666 |
| Utilities | 3,893 | 3 | - | - | 3,896 |
| Total Accumulated Depreciation | 400,471 | 38,597 | 10,662 | - | 428,406 |
| 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 | 351,092 | | | | 459,396 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | Separate Financial Statement (In Thousand Baht) | | | | |
|--|---|---------------------------|---------------|----------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2018 | Addition | Deduction | Transfer | 2018 |
| Cost | | | | | |
| Land | 96,636 | 44,128 | - | - | 140,764 |
| Land improvement | 9,026 | 683 | - | - | 9,709 |
| Building | 135,849 | - | - | - | 135,849 |
| Building improvement | 44,152 | 2,562 | - | - | 46,714 |
| Machinery and equipment | 344,586 | 12,074 | - | 5,543 | 362,203 |
| Electric system | 2,196 | 1,182 | - | - | 3,378 |
| Furniture, fixtures and office equipment | 14,515 | 1,908 | 161 | - | 16,262 |
| Vehicle | 74,729 | 1,824 | 11,446 | - | 65,107 |
| Utilities | 3,897 | - | - | - | 3,897 |
| Construction in progress and machinery under installation | 26,550 | 65,559 | - | (5,543) | 86,566 |
| Total Cost | 752,136 | 129,920 | 11,607 | - | 870,449 |
| Accumulated Depreciation | | | | | |
| Land improvement | 8,448 | 242 | - | - | 8,690 |
| Building | 46,323 | 6,792 | - | - | 53,115 |
| Building improvement | 13,734 | 2,905 | - | - | 16,639 |
| Machinery and equipment | 261,303 | 19,196 | - | - | 280,499 |
| Electric system | 2,095 | 254 | - | - | 2,349 |
| Furniture, fixtures and office equipment | 9,417 | 2,169 | 101 | - | 11,485 |
| Vehicle | 53,682 | 6,199 | 10,215 | - | 49,666 |
| Utilities | 3,893 | 3 | - | - | 3,896 |
| Total Accumulated Depreciation | 398,895 | 37,760 | 10,316 | - | 426,339 |
| 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 | 347,782 | | | | 438,651 |

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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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, 2019 and 2018 and movements during the years ended December 31, 2019 and 2018 (before deducting the effect from deferred tax liabilities) are as follows:

| Consolidated and Separate Financial Statement (In Thousand Baht) | | | | | |
|--|--|---------------------------|-----------|--------------|---|
| | Beginning Balance as at January 1, 2019 | Movements During the Year | | | Ending Balance as at December 31, 2019 |
| | | Addition | Deduction | Depreciation | |
| Land | 38,451 | - | - | - | 38,451 |
| Building and building improvement | 154,872 | - | - | (17,254) | 137,618 |
| Machinery and equipment | 84,086 | - | (240) | (17,254) | 66,592 |
| Total | 277,409 | - | (240) | (34,508) | 242,661 |

| Consolidated and Separate Financial Statement (In Thousand Baht) | | | | | |
|--|--|---------------------------|-----------|--------------|---|
| | Beginning Balance as at January 1, 2018 | Movements During the Year | | | Ending Balance as at December 31, 2018 |
| | | Addition | Deduction | Depreciation | |
| Land | 38,451 | - | - | - | 38,451 |
| Building and building improvement | 172,127 | - | - | (17,255) | 154,872 |
| Machinery and equipment | 101,340 | - | - | (17,254) | 84,086 |
| Total | 311,918 | - | - | (34,509) | 277,409 |

As at December 31, 2019 and 2018, the Company's land, building and building improvement, machinery and equipment of which carrying amount totalling approximately Baht 310.8 million and Baht 241.7 million, respectively, were used as guarantees for the credit facilities with financial institutions as discussed in Notes 13 and 18.

As at December 31, 2019 and 2018, the Company's machinery and equipment and vehicles of which carrying amount totalling approximately Baht 4.0 million and Baht 9.5 million, respectively, were under the obligations and conditions of hire purchase and finance lease agreements as discussed in Note 19.

As at December 31, 2019 and 2018, cost of the Company's plant and equipment which have been fully depreciated but still in use amounting to approximately Baht 254.9 million and Baht 249.0 million, respectively.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Depreciation of plant and equipment for the year 2019 amounted to approximately Baht 72.4 million in the consolidated financial statements and Baht 71.9 million in separate financial statements while for the year 2018 amounted to approximately Baht 73.1 million in the consolidated financial statements and Baht 72.3 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 34.5 million, both in the consolidated and separate financial statements.

12. INTANGIBLE ASSETS - NET

| Consolidated (In Thousand Baht) | | | | | |
|---------------------------------|--|---------------------------|-----------|----------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2019 | Addition | Deduction | Transfer | 2019 |
| | | | | | |
| Cost | 10,999 | 425 | (1,581) | - | 9,843 |
| Accumulated amortization | (8,805) | (460) | 198 | - | (9,067) |
| Net | 2,194 | (35) | (1,383) | - | 776 |

| Consolidated (In Thousand Baht) | | | | | |
|---------------------------------|--|---------------------------|-----------|----------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2018 | Addition | Deduction | Transfer | 2018 |
| | | | | | |
| Cost | 11,057 | 531 | (589) | - | 10,999 |
| Accumulated amortization | (7,941) | (864) | - | - | (8,805) |
| Net | 3,116 | (333) | (589) | - | 2,194 |

| Separate Financial Statement (In Thousand Baht) | | | | | |
|---|--|---------------------------|-----------|----------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2019 | Addition | Deduction | Transfer | 2019 |
| | | | | | |
| Cost | 9,259 | 425 | - | - | 9,684 |
| Accumulated amortization | (8,647) | (358) | - | - | (9,005) |
| Net | 612 | 67 | - | - | 679 |

| Separate Financial Statement (In Thousand Baht) | | | | | |
|---|--|---------------------------|-----------|----------|---|
| | Beginning Balance as at January 1, | Movements During the Year | | | Ending Balance as at December 31, |
| | 2018 | Addition | Deduction | Transfer | 2018 |
| | | | | | |
| Cost | 9,259 | - | - | - | 9,259 |
| Accumulated amortization | (7,879) | (768) | - | - | (8,647) |
| Net | 1,380 | (768) | - | - | 612 |

Amortization for the years ended December 31, 2019 and 2018 amounted to approximately Baht 0.4 million and Baht 0.8 million, respectively, both in the consolidated and separate financial statements, which was presented as part of "Administrative expenses" in the statements of comprehensive income.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

| | In Thousand Baht | | | |
|------------------------------|------------------|---------|------------------------------|---------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Bank overdrafts | 56,785 | 42,155 | 53,994 | 38,186 |
| Loans under packing credits | 215,695 | 198,687 | 215,695 | 198,687 |
| Loans under promissory notes | 250,000 | 250,000 | 250,000 | 250,000 |
| Total | 522,480 | 490,842 | 519,689 | 486,873 |

As at December 31, 2019 and 2018, the Group had overdraft lines with three local banks totalling Baht 65 million (totalling Baht 60 million for the Company only) which bear interest at Minimum Overdraft Rate.

As at December 31, 2019 and 2018, the Company had packing credit facilities with two local banks totalling Baht 280 million which bear interest at 1.5% p.a. lower than Minimum Loan Rate.

As at December 31, the Company had promissory note facilities with three local banks totalling Baht 250 million in 2019 and 2018 which bear interest ranging between 4.25% and 5.25% p.a.

As at December 31, 2019 and 2018, the Company had trust receipt facilities with three local banks totalling Baht 58 million 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 8, and the Company's land, buildings, and machinery and equipment as discussed in Note 11.

14. SHORT-TERM LOANS FROM OTHER PARTIES

As at December 31, 2019, this account represented short-term loans under bill of exchange, unsecured and partially secured by the Company's common shares of approximately 59.7 million held by certain directors, issued by the Company and a subsidiary to several non-related persons between June and November 2019. These loans bear interest ranging between 5.5% p.a. to 6.5% p.a. and have maturities not exceeding seven months from the particular issuance dates.

As at December 31, 2018, this account represented short-term loans under bill of exchange, unsecured and partially secured by the Company's 37.4 million common shares held by certain directors, issued by the Company and a subsidiary to several non-related persons and companies between September and November 2018. These loans bear interest ranging between 5.5% p.a. to 7.5% p.a. and have maturities not exceeding six months from the particular issuance dates.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | In Thousand Baht | | | |
|--|------------------|---------------|------------------------------|---------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Other payables | 15,324 | 30,391 | 14,704 | 29,359 |
| Accrued advertising and sales promotion expenses | 12,309 | 10,033 | 12,309 | 10,033 |
| Accrued interest | 7,694 | 6,101 | 7,694 | 6,078 |
| Accrued salary, wage, and welfares | 6,373 | 3,849 | 6,370 | 3,822 |
| Advances from customers | 4,040 | 10,334 | 4,040 | 10,217 |
| Accrued electricity | 2,901 | 3,544 | 2,901 | 3,512 |
| Others | 5,092 | 4,415 | 4,699 | 3,429 |
| Total | 53,733 | 68,667 | 52,717 | 66,450 |

16. DEBENTURES

| | Consolidated and Separate Financial Statements (In Thousand Baht) | |
|--|--|-----------|
| | 2019 | 2018 |
| Debentures | 990,000 | 699,900 |
| Less Deferred direct transaction costs on debenture issuance | (9,200) | (11,262) |
| Net | 980,800 | 688,638 |
| Less Due for payments within one year | (605,685) | - |
| Net | 375,115 | 688,638 |

On February 16, 2018, the Company limitedly issued and offered the registered, unsubordinated, and secured debentures to the institutional investors of 699,900 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 6.5% p.a. whereby interest is payable on a quarterly basis and will mature for redemption on August 9, 2020. The abovementioned debentures have significant conditions which include maintaining Debt-to-Equity ratio at the rate not exceeding 4:1.

In order to maximize the benefit on financial management to the Company, in January, October and December 2019, the Company redeemed a portion of debentures as shown in the balance as at December 31, 2018 totalling 90,100 units (Baht 1,000 face value) in total value of Baht 90.1 million from certain debenture-holders by repurchase from the secondary market at the price including the accrued interest. Such matter is in compliance with the provision attributable to the right and duty of debenture-issuer and debenture-holders.

Later on March 22, 2019, the Company limitedly issued and offered the registered, unsubordinated, and secured debentures to the institutional investors of 200,000 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 6.75% p.a. whereby interest is payable on a quarterly basis and matured for redemption on March 22, 2021. The abovementioned debentures have significant conditions which include maintaining Debt-to-Equity ratio at the rate not exceeding 4:1.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

On July 31, 2019, the Company limitedly issued and offered the registered, unsubordinated, and unsecured debentures to the institutional investors of 180,200 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 6.5% p.a. whereby interest is payable on a quarterly basis and will mature for redemption on July 31, 2021. The abovementioned debentures have significant 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, 2019 and 2018, such debentures had fair values of approximately Baht 993.5 million and Baht 699.7 million, respectively, which is the Level 1 inputs of the fair value hierarchy.

17. LIABILITY FOR POST-EMPLOYMENT BENEFITS

Movements of liability for post-employment benefits for the years ended December 31, 2019 and 2018 are as follows:

| | Consolidated and Separate Financial Statement (In Thousand Baht) | |
|---|--|-------|
| | 2019 | 2018 |
| Liability for post-employment benefits as at January 1 | 6,793 | 6,346 |
| Current service cost | 910 | 340 |
| Interest cost | 277 | 107 |
| Past service cost | 1,422 | - |
| Expense recognized as profit or loss in statement of comprehensive income | 2,609 | 447 |
| Actuarial loss on remeasurement | 1,285 | - |
| Liability for post-employment benefits as at December 31 | 10,687 | 6,793 |

The abovementioned actuarial loss on remeasurement comprised of (1) loss from experience adjustment amounting to approximately Baht 3,723 thousand, (2) gain from changes in financial assumptions amounting to approximately Baht 1,741 thousand, and (3) gain from changes in demographic assumptions amounting to approximately Baht 697 thousand.

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

- Discount rate 2.66% p.a. in 2019 and 2.87% p.a. in 2018
- Salary escalation rate 3.00% p.a. in 2019 and 6.43% p.a. in 2018
- Employee turnover rate 8% - 35% p.a. in 2019 and 11% - 48% p.a. in 2018

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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%) | (325) | 346 |
| Salary escalation rate (increase/decrease by 0.5%) | 373 | (352) |
| Employee turnover rate (increase/decrease by 1%) | (782) | 893 |

During 2018, the National Legislative Assembly agreed and approved to edit some provisions of the Labour Protection Act 1998 (B.E. 2541) which include the increase in compensations to be paid to the employees whose working period have reached 20 years or above from previously equivalent to basic wage of 300 days to 400 days. Such matter was later legally announced in the early of April 2019 in order to become effective in the early of May 2019. The Company's management considered, based on their judgement, that amendment of such employee benefit plan (amendment of the applicable laws) occurred and became effective in the second quarter of 2019. Accordingly, the Company accounted for the past service cost amounting to approximately Baht 1.4 million, resulted from the plan amendment, in the second quarter of 2019 which was presented as part of cost of sales and administrative expenses amounting to approximately Baht 0.2 million and Baht 1.2 million, respectively, in the statement of comprehensive income for the year ended December 31, 2019.

As at December 31, 2019 and 2018, the subsidiaries have hired only few numbers of permanent employees. Accordingly, the subsidiaries have no material obligation to be recognized on the post-employment benefits.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

18. LONG-TERM BORROWINGS

This account represented long-term borrowings from three local banks in the consolidated financial statements and two local banks in separate financial statements both in 2019 and 2018 which comprised of:

| | Consolidated (In Thousand Baht) | |
|---|---------------------------------|-----------|
| | 2019 | 2018 |
| 1) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate | - | 1,634 |
| 2) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate | 17,389 | 25,366 |
| 3) Loans under facilities amount of Baht 25 million, repayable monthly until March 2024, bear interest at Minimum Loan Rate | 14,362 | 17,963 |
| 4) Loans under facilities amount of Baht 20 million, repayable monthly until January 2021, bear interest at Minimum Loan Rate | 16,495 | - |
| 5) Loans under facilities amount of Baht 20 million, repayable monthly until January 2021, bear interest at Minimum Loan Rate | 18,695 | - |
| 6) Loans under facilities amount of Baht 10 million (of the subsidiary), repayable monthly until March 2021, bear interest at Minimum Loan Rate | 2,516 | 5,135 |
| Total | 69,457 | 50,098 |
| Less Current portion | (27,631) | (18,340) |
| Net | 41,826 | 31,758 |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | Separate Financial Statement (In Thousand Baht) | |
|---|--|-----------|
| | 2019 | 2018 |
| 1) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate | - | 1,634 |
| 2) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate | 17,389 | 25,366 |
| 3) Loans under facilities amount of Baht 25 million, repayable monthly until March 2024, bear interest at Minimum Loan Rate | 14,362 | 17,963 |
| 4) Loans under facilities amount of Baht 20 million, repayable monthly until January 2021, bear interest at Minimum Loan Rate | 16,495 | - |
| 5) Loans under facilities amount of Baht 20 million, repayable monthly until January 2021, bear interest at Minimum Loan Rate | 18,695 | - |
| Total | 66,941 | 44,963 |
| Less Current portion | (25,115) | (13,205) |
| Net | 41,826 | 31,758 |

The above loans have guarantees as discussed in Note 11. 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, 2019, a subsidiary could not comply with certain covenant of the loans under facilities of Baht 10 million. Subsidiary has negotiated with the lending bank to obtain the written waiver of such covenant. The Group, therefore, presented the entire amount of such loans as part of current portion of long-term borrowings.

19. LIABILITIES UNDER HIRE PURCHASE AGREEMENTS

| | In Thousand Baht | |
|---|------------------|----------|
| | 2019 | 2018 |
| Liabilities under hire purchase agreements | | |
| - Due for payments within one year | 1,459 | 3,149 |
| - Due for payments between 2-5 years | 1,155 | 2,528 |
| Total | 2,614 | 5,677 |
| Less Deferred interest | (102) | (268) |
| Liabilities under hire purchase agreements - net of deferred interest | 2,512 | 5,409 |
| Less Current portion | (1,375) | (2,973) |
| Net | 1,137 | 2,436 |

Amortized interest, which was presented as part of "Finance costs" in the statements of comprehensive income for the years 2019 and 2018, amounted to approximately Baht 0.2 million and Baht 0.3 million, respectively.

In 2017, the Company entered into hire purchase agreements for its vehicles with a local leasing company for the periods of 48 months whereby such hire purchase agreements will end in 2021.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

20. SHARE CAPITAL, PREMIUM ON SHARES AND WARRANTS

| | Par Value (In Baht) | In Thousand Shares / In Thousand Baht | | | |
|---------------------------|------------------------|---------------------------------------|----------------|------------------|----------------|
| | | 2019 | | 2018 | |
| | | No. of Share | At Par Value | No. of Share | At Par Value |
| Authorized share capital | | | | | |
| As at December 31 | | | | | |
| - Common shares | 0.25 | <u>1,249,848</u> | <u>312,462</u> | <u>1,416,549</u> | <u>354,137</u> |
| Issued and paid-up shares | | | | | |
| as at January 1 | | | | | |
| - Common shares | 0.25 | 959,405 | 239,851 | 830,008 | 207,502 |
| Private placement | 0.25 | - | - | 8,200 | 2,050 |
| Exercise of warrants | 0.25 | <u>83</u> | <u>21</u> | <u>121,197</u> | <u>30,299</u> |
| As at December 31 | | | | | |
| - Common shares | 0.25 | <u>959,488</u> | <u>239,872</u> | <u>959,405</u> | <u>239,851</u> |

On January 8, 2018, the Company received the proceeds for partial share subscription of 300,000 shares under the general mandate basis of the increase in share capital for offering to specific persons (Private Placement) of not exceeding 40,000,000 shares to Macquarie Bank Limited ("Macquarie") amounting to approximately Baht 1.7 million (Baht 5.70 per share, comprised of the amounts for paid-up share capital of Baht 0.075 million and premium on shares of approximately Baht 1.6 million). The Company registered this issued and paid-up share capital with the Ministry of Commerce on January 9, 2018.

On April 23, 2018, the Company received the proceeds for partial share subscription of 7,900,000 shares under the general mandate basis of the increase in share capital for offering to specific persons (Private Placement) of not exceeding 47,675,178 shares to 3 non-related persons amounting to approximately Baht 49.1 million (Baht 6.22 per share, comprised of the amounts for paid-up share capital of approximately Baht 2.0 million and premium on shares of approximately Baht 47.1 million). The Company registered this issued and paid-up share capital with the Ministry of Commerce on April 26, 2018.

Section 51 of the Public Limited Companies Act, B.E. 2535 (1992) requires the public limited 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.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
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Warrants

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 |
| 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 (Adjusted right in April 2019 to 1 unit to purchase 1.0008 common shares) |
| Exercise price | Baht 5 per share (Adjusted right in April 2019 to Baht 4.9958 per share) |
| 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 |

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. Details of the exercised warrants are as follows:

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| 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 |
| February 25, 2018 | 31,348,046 | 94,044,138 | 7,837,012 | 86,207,126 | 143,326,061 | February 27, 2018 |
| May 25, 2018 | 37,787,808 | 113,363,424 | 9,446,952 | 103,916,472 | 105,538,253 | June 1, 2018 |
| August 25, 2018 | 46,436,851 | 139,310,553 | 11,609,213 | 127,701,340 | 59,101,402 | August 29, 2018 |
| November 25, 2018 | 5,624,925 | 16,874,775 | 1,406,231 | 15,468,544 | 53,476,477 | December 12, 2018 |
| February 20, 2019 | 82,475 | 247,425 | 20,618 | 226,807 | 53,394,002 | February 27, 2019 |

21. 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.

22. EXPENSES BY NATURE

| | In Thousand Baht | | | |
|---|------------------|-----------|------------------------------|-----------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Assemblies, raw materials, and supplies used | 792,562 | 903,273 | 791,916 | 903,273 |
| Employee expenses | 259,661 | 267,054 | 259,007 | 263,861 |
| Finance costs | 115,434 | 101,238 | 112,228 | 97,060 |
| Depreciation and amortization | 74,474 | 77,298 | 73,917 | 74,936 |
| Freight and transportation charges | 37,192 | 50,855 | 36,947 | 50,585 |
| Electricity | 35,426 | 36,150 | 35,424 | 35,749 |
| Provision for doubtful accounts | 23,345 | 4,094 | 22,832 | 3,489 |
| Repair and maintenance expenses | 11,117 | 13,247 | 11,117 | 13,235 |
| Fuels | 10,338 | 12,212 | 10,338 | 12,212 |
| Showroom rental and service charges | 10,185 | 27,102 | 10,104 | 20,183 |
| Bank charges | 9,115 | 10,762 | 8,779 | 10,120 |
| Advertising and sales promotions | 3,025 | 3,254 | 3,001 | 3,256 |
| Loss on diminution in value of inventories | 1,421 | 1,179 | 1,421 | 1,179 |
| Changes in finished goods and work-in-process | (202,085) | (182,431) | (203,029) | (189,756) |

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December 31, 2019 and 2018

23. INCOME TAX

Corporate income tax recorded as expense (income) for the years ended December 31, 2019 and 2018 consists of:

| | In Thousand Baht | | | |
|--|------------------|---------------|------------------|---------------|
| | Consolidated | | The Company Only | |
| | 2019 | 2018 | 2019 | 2018 |
| Income tax computed from accounting profit | 8,391 | 8,475 | 7,390 | 12,262 |
| Effects from non-deductible expenses | 15,538 | 13,045 | 14,289 | 9,038 |
| Effects from additional deductible expenses or non-taxable income | (3,522) | (4,641) | (1,713) | (4,641) |
| Effect from utilization of tax loss carryforward | (56) | - | - | - |
| Effects from reduction in income tax rate under investment promotion | (7,316) | - | (7,316) | - |
| Current tax on taxable profit | 13,035 | 16,879 | 12,650 | 16,659 |
| Increase in deferred tax assets | (4,894) | (800) | (4,894) | (1,020) |
| Decrease in deferred tax liabilities | (5,560) | (2,870) | (5,560) | (2,870) |
| Income tax presented in statement of comprehensive income | <u>2,581</u> | <u>13,209</u> | <u>2,196</u> | <u>12,769</u> |
| Increase in deferred tax assets pertaining to other comprehensive loss | <u>257</u> | <u>-</u> | <u>257</u> | <u>-</u> |

As at December 31, 2019, a subsidiary had tax loss carryforward of approximately Baht 78.0 million whereby such loss is able to be used as tax credit during 2020 until 2024.

Deferred tax assets and liabilities presented in statements of financial position as at December 31, 2019 and 2018 consist of:

| | In Thousand Baht | | | |
|--|------------------|--------------|------------------------------|--------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| <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 | 1,131 | 847 | 1,131 | 847 |
| - Allowance for doubtful accounts | 5,178 | 1,091 | 5,178 | 1,091 |
| - Allowance for impairment of building and equipment | 1,092 | 1,092 | 1,092 | 1,092 |
| - Liability for post-employment benefits | 2,138 | 1,358 | 2,138 | 1,358 |
| Total deferred tax assets | <u>9,539</u> | <u>4,388</u> | <u>9,539</u> | <u>4,388</u> |

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | In Thousand Baht | | | |
|---|------------------|---------------|------------------------------|---------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| <i>Deferred tax liabilities</i> | | | | |
| Effects from temporary non-recognized items as expense in accounting or taxable income: | | | | |
| - Unamortized debenture issuance costs | 1,840 | 2,253 | 1,840 | 2,253 |
| - Revaluation surplus on land | 7,690 | 7,690 | 7,690 | 7,690 |
| - Revaluation surplus on building - net | 11,608 | 13,668 | 11,608 | 13,668 |
| - Revaluation surplus on machinery - net | 10,639 | 13,726 | 10,639 | 13,726 |
| Total deferred tax liabilities | <u>31,777</u> | <u>37,337</u> | <u>31,777</u> | <u>37,337</u> |

24. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share for the years ended December 31, 2019 and 2018 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 | |
| | 2019 | 2018 | 2019 | 2018 |
| Profit for the year, attributable to owners of the Company | <u>40,286</u> | <u>33,759</u> | <u>34,748</u> | <u>48,540</u> |
| Basic weighted average number of outstanding common shares | <u>959,476</u> | <u>902,672</u> | <u>959,476</u> | <u>902,672</u> |
| Basic earnings per share (Baht) | <u>0.042</u> | <u>0.037</u> | <u>0.036</u> | <u>0.054</u> |

Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2019 and 2018 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:

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Notes to Financial Statements (Continued)
December 31, 2019 and 2018

| | In Thousand Baht / In Thousand Shares | | | |
|--|---------------------------------------|----------------|------------------------------|----------------|
| | Consolidated | | Separate Financial Statement | |
| | 2019 | 2018 | 2019 | 2018 |
| Profit for the year attributable to owners of the Company | <u>40,286</u> | <u>33,759</u> | <u>34,748</u> | <u>48,540</u> |
| Basic weighted average number of outstanding common shares | 959,476 | 902,672 | 959,476 | 902,672 |
| Effect from the right under the exercise of warrants | - | 30,192 | - | 30,192 |
| Diluted weighted average number of outstanding common shares | <u>959,476</u> | <u>932,864</u> | <u>959,476</u> | <u>932,864</u> |
| Diluted earnings per share (Baht) | <u>0.042</u> | <u>0.036</u> | <u>0.036</u> | <u>0.052</u> |

Diluted earnings per share for the years ended December 31, 2019 was the same amount to basic earnings per share because the average market price of the Company's common shares in 2019 was less than the exercise price specified in the warrants. Accordingly, there was no virtual effect from the right under the assumed exercise of warrants that create dilutive potential common shares.

25. PAYMENT OF DIVIDENDS

At the general shareholders' meeting held on April 22, 2019, the shareholders unanimously approved the Company to pay dividends for the 2018 operations at approximately Baht 0.030227 per share, totalling approximately Baht 29.0 million, to the shareholders. The date for payment of such dividends was May 21, 2019.

At the general shareholders' meeting held on April 25, 2018, the shareholders unanimously approved the Company to pay dividends for the 2017 operations at approximately Baht 0.0603 per share, totalling approximately Baht 52.4 million, to the shareholders whereby such dividends shall be paid from the promoted activities and non-promoted activities amounting to Baht 0.0173 per share and Baht 0.0430 per share, respectively. The date for payment of such dividends was May 24, 2018.

26. PROMOTIONAL PRIVILEGES UNDER INVESTMENT PROMOTION

The Company has been granted promotional privileges pertaining to the promotional certificate on manufacturing and sales of furniture that is made in the plant installed the system for electricity generated from the solar power. Such privileges include among others, exemption from import duty on the imported machinery used in the promoted business and exemption from corporate income tax on net profit from the promoted business attributable in the extent not exceeding the specified amount in the promotional certificate for a period of three years from the date income was first derived from the promoted business i.e. September 10, 2019.

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

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Operating results classified by the promoted and non-promoted businesses for the year ended December 31, 2019 are as follows:

| 2019 - Consolidated (In Thousand Baht) | | | |
|---|----------------------|--------------------------|------------|
| | Promoted Business | Non-Promoted Business | Total |
| Net sales | 240,655 | 1,013,529 | 1,254,184 |
| Other income (including gain on exchange rate) | 258 | 36,459 | 36,717 |
| Cost of sales | (149,742) | (734,986) | (884,728) |
| Distribution costs | (11,882) | (62,943) | (74,825) |
| Administrative expenses | (26,606) | (158,215) | (184,821) |
| Finance costs | (25,278) | (90,156) | (115,434) |
| Share of profit from investment in associate and joint venture | - | 10,757 | 10,757 |
| Income tax expense | - | (2,581) | (2,581) |
| Profit for the year | 27,405 | 11,864 | 39,269 |

| 2019 - Separate Financial Statement (In Thousand Baht) | | | |
|--|----------------------|--------------------------|------------|
| | Promoted Business | Non-Promoted Business | Total |
| Net sales | 240,655 | 1,010,851 | 1,251,506 |
| Other income (including gain on exchange rate) | 258 | 33,044 | 33,302 |
| Cost of sales | (149,742) | (733,243) | (882,985) |
| Distribution costs | (11,882) | (62,500) | (74,382) |
| Administrative expenses | (26,606) | (151,663) | (178,269) |
| Finance costs | (25,278) | (86,950) | (112,228) |
| Income tax expense | - | (2,196) | (2,196) |
| Profit for the year | 27,405 | 7,343 | 34,748 |

27. 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 Company and its subsidiaries that are provided regularly to the highest authority in decision-making operation and also used in evaluation of financial performances of the segments. The Company and its subsidiaries have 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, retail sales of sundry goods and energy business operated by associate and joint venture) which has been insignificant portion as compared to entire volumes and size of business activities and, therefore, are insignificant minor segments. The transfers between segments were accounted for at cost whereby the accounting policies applied to operating segments of the Company and its subsidiaries are similar to those accounting policies discussed in Note 3. In addition, the Company and its subsidiaries are unable to apportion the segment information for assets and liabilities without incurring undue costs.

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Information on Products

| | In Thousand Baht | |
|---|------------------|-----------|
| | Consolidated | |
| | 2019 | 2018 |
| Net sales | | |
| - Wood furniture and particle boards | 1,203,974 | 1,327,927 |
| - Other products | 50,210 | 65,181 |
| Total | 1,254,184 | 1,393,108 |
| Other income | | |
| - Wood furniture and particle boards | 32,597 | 45,116 |
| - Other products | 14,877 | 5,108 |
| Total | 47,474 | 50,224 |
| Cost of sales | | |
| - Wood furniture and particle boards | 842,313 | 966,856 |
| - Other products | 42,415 | 48,133 |
| Total | 884,728 | 1,014,989 |
| Other expenses | | |
| - Wood furniture and particle boards | 352,075 | 347,647 |
| - Other products | 23,005 | 38,434 |
| Total | 375,080 | 386,081 |
| Profit (loss) before income tax expense | | |
| - Wood furniture and particle boards | 42,183 | 58,540 |
| - Other products | (333) | (16,278) |
| Net | 41,850 | 42,262 |

Information on Geographic Areas

| | In Thousand Baht | |
|----------------------------|------------------|-----------|
| | Consolidated | |
| | 2019 | 2018 |
| Export sales - net | | |
| - Japan | 643,142 | 647,240 |
| - India | 15,243 | - |
| - United States of America | 13,587 | 737 |
| - China | 10,667 | - |
| - Philippines | 7,420 | 15,062 |
| - Kuwait | 7,323 | 3,453 |
| - Bahrain | 5,130 | 6,686 |
| - Malaysia | 3,275 | 5,733 |
| - Peru | 782 | 1,873 |
| - Taiwan | - | 5,538 |
| - Hongkong | - | 3,418 |
| - Other countries | - | 200 |
| Total | 706,569 | 689,940 |
| Domestic sales - net | 547,615 | 703,168 |
| Total sales - net | 1,254,184 | 1,393,108 |

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Other income, classified by products, included revenues from contracts with other customers, who are not attributable to the core businesses. Such revenues had timing of recognition as follows:

| | In Thousand Baht | | | |
|--------------------|----------------------------------|--------|----------------|------|
| | Consolidated | | | |
| | Wood furniture / particle boards | | Other products | |
| | 2019 | 2018 | 2019 | 2018 |
| At a point in time | 12,249 | 21,380 | 64 | 340 |
| Over time | - | - | 1,818 | 182 |

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 | |
| | 2019 | 2018 |
| Net sales | | |
| - Wood furniture and particle boards | 30.91 | 32.56 |
| - Other products | - | - |
| - Export | 32.52 | 43.60 |
| - Domestic | 26.01 | 17.21 |
| - Total | 29.68 | 31.04 |

28. 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 2019 and 2018.

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.

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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, 2019 and 2018, the Company had the outstanding forward exchange contracts (buy and sell) as follows:

| | In Thousand | | | |
|-----------------------------------|------------------|------|------------|-------|
| | Foreign Currency | | Fixed Baht | |
| | 2019 | 2018 | 2019 | 2018 |
| Forward exchange contracts - buy | | | | |
| - U.S. Dollar | - | 31.9 | - | 1,038 |
| Forward exchange contracts - sell | | | | |
| - U.S. Dollar | 0.5 | - | 15 | - |

In addition, the fair values of forward exchange contracts (buy and sell) outstanding as at December 31, 2019 and 2018 were as follows:

| | In Thousand Baht | |
|----------------------------------|------------------|-------|
| | 2019 | 2018 |
| Forward exchange contract - buy | | |
| - U.S. Dollar | - | 1,035 |
| Forward exchange contract - sell | | |
| - U.S. Dollar | 15 | - |

The forward exchange contracts - sell as at December 31, 2019 had maturities in June 2020.

As at December 31, 2019 and 2018, significant outstanding non-hedged foreign currency assets and liabilities are as follows:

| | Consolidated | | | |
|---------------|-------------------------|-----------|------------------------------|---------|
| | Foreign Currency Assets | | Foreign Currency Liabilities | |
| | 2019 | 2018 | 2019 | 2018 |
| - U.S. Dollar | 2,579,898 | 3,206,038 | 116,253 | 165,739 |

| | Separate Financial Statement | | | |
|---------------|------------------------------|-----------|------------------------------|---------|
| | Foreign Currency Assets | | Foreign Currency Liabilities | |
| | 2019 | 2018 | 2019 | 2018 |
| - U.S. Dollar | 2,579,898 | 3,206,038 | 116,253 | 165,739 |

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, other installment receivables, 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.

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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, current investment, restricted deposits at banks, trade and other receivables, other installment 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 (Level 2 inputs).

Fair value of debentures, which are stated at the amortized cost, was disclosed as discussed in Note 16.

Investment in subsidiaries and associate/joint venture as well as liabilities under hire purchase agreements are not practicable to be estimated the proper fair value without incurring undue costs.

29. 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 2019 and 2018.

As at December 31, Debt-to-Equity ratio for the consolidated and separate financial statements was 1.47 : 1.00 and 1.49 : 1.00, respectively, in 2019 and 1.35 : 1.00 and 1.29 : 1.00, respectively, in 2018.

30. 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 2019 and 2018, amounted to approximately Baht 1.1 million and Baht 1.5 million, respectively.

31. SECURITIES TRADING ACCOUNT OF THE COMPANY

The Company was approved by the Board of Directors' meeting on December 20, 2018 to open the securities trading account for debt instruments and equity instruments with two local securities companies whereby the amounts for debt securities amounted to Baht 50 million and for equity securities amounted to Baht 1. The Managing Director or any other persons designated by the Managing Director is authorized to open the account, execute the securities trading, sign the documents to purchase-sale-transfer of the Company's securities, and change the amounts between debt securities and equity securities.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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32. CURRENT INVESTMENT

This account represented investment under bills of exchange, unsecured, of a local securities company in 2019 and two local securities companies in 2018 which bear interest at 3.0% p.a. in 2019 and 3.5% p.a. in 2018 and have maturities not exceeding six months from the particular issuance dates.

33. OTHERS

As at December 31, 2019;

- a. The Company had commitments on car rental agreements with a private company with term of 3 years whereby the last agreement will end in May 2022. Such commitments are as follows:

| | <u>In Thousand Baht</u> |
|---|-------------------------|
| Due for payments within one year | 912 |
| Due for payments after one year but not exceeding five year | 1,061 |
| Total | <u>1,973</u> |

- b. The Company had letters of guarantee issued by three local banks to two private companies and a government agency totalling approximately Baht 30.0 million;
- c. The Company had commitment on construction of office building and warehouse amounting to approximately Baht 46.1 million and Baht 32.0 million, respectively (excluding value-added tax);
- d. The Company had advance amounting to Baht 95.0 million for purchase of investment in common shares of a local company, whose business is engaged in electricity generated from wind power, from shareholder of such company who is non-related person to the Company. Such purchase of investment was approved in the Company's Board of Directors' meeting on September 10, 2019 in total amount of not exceeding Baht 200.0 million;
- e. The Company has been during feasibility study on investment project relating to biomass power plant located in Saga prefecture of Japan with a condition that the refundable deposit of Baht 100 million shall be paid to the project owner as part of the process for such feasibility study whereby such deposit will be refunded in case the Company or the Group finally decides not to invest in the project. In 2018 and 2019, the Company has partially paid such deposit amounting to Baht 75 million and Baht 25 million, respectively, which was presented as part of "Deposits and guarantees" in the consolidated and separate statements of financial position as at December 31, 2019;
- f. A subsidiary had commitments on purchase and installation design of machinery totalling approximately USD 13.3 million (approximately Baht 403.3 million);
- g. The same subsidiary had commitments on design of factory building and consultancy fee for the construction project totalling approximately Baht 2.3 million (excluding value-added tax).

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
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34. EVENTS AFTER THE REPORTING PERIOD

At the Board of Directors' meeting on February 27, 2020, the Board of Directors passed the resolutions to approve the following significant matters that will be proposed for consideration and approval in the upcoming shareholders' meeting:

- a. Decrease in the Company's authorized share capital of Baht 40,100,543.75 (from previously Baht 312,462,090.75 to Baht 272,361,547.00) by eliminating the unissued 160,402,175 common shares, Baht 0.25 par value. Such common shares comprised of (1) 53,402,175 common shares that were previously appropriated for the exercise of ECF-W2 warrants whereby the exercise period has ended, (2) 95,000,000 common shares that were previously appropriated for offering under the Private Placement with General Mandate method and (3) 12,000,000 common shares that were previously appropriated to shareholders for adjustment of rights of ECF-W3 warrants.
- b. Increase in the Company's authorized share capital of Baht 26,800,000 (from previously Baht 272,361,547 to Baht 299,161,547) which is divided into 107,200,000 common shares, Baht 0.25 par value. Such incremental common shares shall be appropriated by (1) 95,000,000 shares for offering under the Private Placement with General Mandate method and (2) 12,200,000 shares to the existing shareholders for adjustment of rights of ECF-W3 warrants whereby this portion of common shares is included 200,000 shares that must be appropriated with respect to the condition that the Company paid dividends at the portion exceeding 80% of profit for the year 2018.
- c. Issuance and offering of debentures at the amount not exceeding Baht 2,000 million.
- d. Declaration of dividends from the 2019 operations at the rate per share of approximately Baht 0.0167, totalling approximately Baht 16.0 million. The date for payment of dividends is specified to be May 22, 2020.

35. RECLASSIFICATION OF ACCOUNTS

The Group reclassified certain accounts in the statements of comprehensive income for the year 2018 in order to conform to and be comparable with the presentation of the statements of comprehensive income for the year 2019 as discussed in Note 2 without effect to previously reported profit or shareholders' equity. Such reclassification is as follows:

| | In Baht | | | |
|--------------------|-------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | Consolidated | | Separate Financial Statement | |
| | Reclassified Balance | Previously Reported Balance | Reclassified Balance | Previously Reported Balance |
| Net sales | 1,393,108,199 | 1,454,566,479 | 1,381,972,980 | 1,443,431,260 |
| Distribution costs | 96,361,872 | 157,820,152 | 91,749,769 | 153,208,049 |

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36. LOANS TO OTHER PARTIES

The current portion of this account represented the unsecured loans of a subsidiary given to a non-related person amounting to Baht 20 million (interest at 7% p.a.) and to a local non-related company amounting to Baht 45 million (interest at 9% p.a.). Such loans were under promissory notes with terms not exceeding three months from the issuance dates.

37. 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, 2020.