

-Translated Version-

No. ECF2 032/2020

14 August 2020

Subject: Management Discussion and Analysis of the 2nd quarter and 6-month period ended 30 June 2020

To President
The Stock Exchange of Thailand

East Coast Furnitech Public Company Limited (“the Company”) would like to report on Management Discussion and Analysis from the Separate and Consolidated Financial Statements of the 2nd quarter and 6-month period ended 30 June 2020. The details are as follows.

Operating Performance

1. Revenues

Unit: Million Baht

The 2 nd Quarter of the Year 2020 comparing to 2019	Consolidated				Separate			
	Amount		Change		Amount		Change	
	Q2.2020	Q2.2019	Amount	%	Q2.2020	Q2.2019	Amount	%
Revenue from sale – net	282.42	286.02	-3.60	-1.26%	277.85	284.32	-6.47	-2.27%
Others income	10.91	19.17	-8.27	-3.11%	11.11	18.01	-6.90	-8.29%
Total Revenue	293.33	305.19	-11.86	-3.89%	288.96	302.33	- 13.36	-4.42%
Sharing of gain (loss) from investment value of the associate and joint venture	3.54	-0.53	4.07	N.A.				

In the furniture business, the Company's revenue from sales - net for the 2nd quarter of 2020 compared to the same period of the previous year decreased slightly at 2.27 percent for the separate financial statements and the revenue from sales decreased by 1.26 percent for the consolidated financial statements. This was caused by the 2nd quarter; the Company has begun to resume the orders for furniture from overseas customers increased under the situation of the Coronavirus outbreak (COVID-19).

Unit: Million Baht

The 6-month period for the Year 2020 comparing to 2019	Consolidated				Separate			
	Amount		Change		Amount		Change	
	6M.2020	6M.2019	Amount	%	6M.2020	6M.2019	Amount	%
Revenue from sale – net	572.15	638.88	-66.74	-0.45%	565.40	637.01	-71.61	-1.24%
Others income	15.54	25.41	-9.87	-8.85%	15.94	22.113	-6.17	-7.92%
Total Revenue	587.69	664.30	-76.61	-1.53%	581.34	659.12	-77.78	-1.80%
Profit from the sale of claims on accounts receivable and brand rights	18.80	-	18.80	N.A.				
Sharing of gain (loss) from investment value of the associate and joint venture	20.43	1.09	19.34	N.A.				

For the 6-month period of 2020, there was a decrease in sales revenue equivalent to 11.24 percent from the same period of the previous year. Whereas the total revenue was 11.80 percent lower from the decline of sales revenue since the 1st quarter under the Coronavirus Outbreak (COVID-19) which resulted in the company had income from the export and domestic sales revenue decreased by approximately 18 percent from the 1st quarter of last year, which still resulted in the overall revenue in the 6-month period of 2020 from such a decrease.

By the 1st quarter continued to the middle of the 2nd quarter, customers in some countries where the governments have been ordering the Lockdown measures, such as India, this caused the Company to have been unable to export the products. For the domestic, the Lockdown measure from the Thai government resulted in the hypermarket stores such as Tesco Lotus, Big C, Home Pro, etc. that are the customers of the company necessary to close the sales through their branches more than 2 months together with the decrease of sales via ELEGA showroom that had been stopped the business from the adjustment of the business strategy by closing all branches of ELEGA showroom that could not generate the income and profit as aimed in order to decrease the fixed cost and the administrative expenses since the 2nd quarter of 2019.

However, the Company has begun to receive more orders since the end of June 2020. This was due to a significant increase in orders from customers in India, China, and the United States. This helped to compensate for the decline in export revenue from Japan customers, resulting in if considered especially for the 2nd quarter of 2020, it showed the sales revenue just slightly decreased.

For other income, during the 1st quarter of 2019, the company had a profit from the sale of assets amounting to Baht 6.54 million, whereas in the 6-month period of 2020 there was no such profit.

Currently, the Company has the proportion between export sales and domestic sales accounting for 63 percent and 37 percent of total revenue-sales, respectively.

The sharing of gain (loss) from investment value of the associates and joint venture for the 2nd quarter of 2020 was profit Baht 20.43 million increased from the same period of the last year that had the amount of Baht 1.09 million, this caused from the realization of gain from investment in Green Earth Power (Thailand) Company Limited (GEP) that is the investor of solar power plant project with installation capacity 220 MW at

Minbu District, Myanmar that ECF Power Company Limited (ECF-P) as the Company's subsidiary holds 20 percent of total shares of GEP. At present, the project has operated commercially for the 1st phase with installed capacity 50MW since 27 September 2019. Now the project has been currently commencing the 2nd phase and will accelerate the construction for the remaining phases until completed all 4 phases.

2. Cost of goods sold and expenses: Consolidated

Unit: Million Baht

The 2 nd Quarter of the Year 2020 comparing to 2019	Consolidated						Separate	
	Amount		Change		Compared to total income		Amount	
	Q2.2020	Q2.2019	Amount	%	Q2.2020	Q2.2019	Q2.2020	Q2.2019
Cost of goods sold	219.65	201.43	18.22	9.04%	74.88%	66.00%	219.85	200.01
Cost of sales	14.69	18.23	-3.54	-19.41%	5.01%	5.97%		
Administrative expenses	29.12	42.41	-13.29	-31.34%	9.93%	13.89%		
Loss from exchange rate	2.04	0.34	1.70	504.45%	0.69%	0.11%		
Financial cost	31.66	28.15	3.51	12.46%				
Corporate income tax	1.82	3.25	-1.42	-43.79%				
Total cost and expenses	298.98	293.80	5.18	1.76%				

For the overview of cost and expenses that happened in the 2nd quarter of 2020, the Company had the production cost increasing from the improvement of work in process products to be the finished goods in order to be able to sell efficiently again. This resulted in an increase in the labor cost and raw materials for the past 2nd quarter. Even though this resulted in the Company had the production cost and the cost of goods sold increased, but this policy would finally help enhance the liquidity and cash flow to the Company.

In this regard, the cost of sales and administrative expenses compared to the total revenue have continuously decreased when comparing to the same period of the previous year. For the financial cost which increased, this caused by the Company has recently issued and offered the debentures in June in the amount of Baht 581.10 million so as to wait for the repayment period of the previous debentures which expires on 16 August 2020 approximately amounted of Baht 600 million. This resulted in the high-interest payment between June and August during the waiting of the repayment period.

The 6-month period of the Year 2020 comparing to 2019	Consolidated						Separate	
	Amount		Change		Compared to total income		Amount	
	6M.2020	6M.2019	Amount	%	6M.2020	6M.2019	6M.2020	6M.2019
Cost of goods sold	436.38	448.62	-12.24	-2.73%	74.25%	67.53%	436.31	447.14
Cost of sales	29.76	41.88	-12.12	-28.93%	5.06%	6.30%		
Administrative expenses	64.53	86.90	-22.37	-25.74%	10.98%	13.08%		
Other expense	22.93	-	22.93	N.A	3.90%	0.00%		

6-month period for the Year 2020 comparing to 2019	Consolidated						Separate	
	Amount		Change		Compared total income		Amount	
	6M.2020	6M.2019	Amount	%	6M.2020	6M.2019	6M.2020	6M.2019
Loss from exchange rate	-	0.66	-0.66	N.A	0.00%	0.10%		
Financial cost	61.95	53.08	8.87	16.71%				
Corporate income tax	4.47	7.09	-2.62	-36.89%				
Total cost and expenses	620.02	638.22	-18.20	-2.85%				

The overview of the cost and expenses of the 6-month period of 2020, the Company could manage cost and expenses slightly decreasing by 2.85 percent. This mainly caused by the management to cost of distribution and administrative expenses decreased from the change of strategy of the distribution channels in order to decrease cost and expenses from the past that the Company had ELEGA showroom which currently been closed all including the adjustment of business plan for the product distribution of the retail shops and wholesales shops nationwide.

3. Profit for the period

Unit: Million Baht

Information	Consolidated				Separate			
	Amount		Change		Amount		Change	
	6M.2020	6M.2019	Amount	%	6M.2020	6M.2019	Amount	%
Gross Profit	135.77	190.26	-54.50	-28.64%	129.09	189.87	-60.78	-32.01%
Profit (Owners of the parent)	15.30	28.37	-13.07	-46.08%	12.01	29.52	-17.51	-59.31%
Profit for the period	6.89	27.82	-20.93	-75.24%				
Total Comprehensive Income for the Period	6.78	25.28	-18.50	-73.17%				
Profit ratio for the period to total revenue (%)	1.17%	4.19%						
Profit ratio for the period (Owners of the parent) to total revenue (%)	2.60%	4.27%						
Total comprehensive income ratio for the period to total revenue (%)	1.15%	3.81%						
Total comprehensive income ratio for the period (Owners of the parent) to total revenue (%)	2.58%	3.89%						

Overall the profit of the 6-month period of 2020 (Consolidated), the Company had gross profit decreasing 28.64 percent that mainly caused by a decrease in sales revenue as aforementioned and the increase of cost of goods sold. The profit (Owners of the parent) amounted to Baht 15.30 million which decreased 46.08 percent when comparing to the same period of the last year. It caused by the significant

decrease in sales revenue under the epidemic crisis of COVID-19 that has had an effect on the Company since the 1st quarter ago.

However, in the 6-month period of 2020, the Company could generate cash flow from operation amounted to Baht 134.62 million from the negative cash flow Baht 44.65 million as of the same period of the last year.

Financial Position: Consolidated Financial Statements

1. Total Assets

Statement of Financial Position	30 June 2020		31 December 2019		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	2,091.92	53.62%	1,837.49	54.88%	254.43	13.85%
Non-Current Assets	1,809.63	46.38%	1,510.83	45.12%	298.80	19.78%
Total Assets	3,901.55	100.00%	3,348.31	100.00%	553.24	16.52%

As of 30 June 2020, the Company's total assets were Baht 3,901.55 million, increasing by Baht 553.24 million from as of 31 December 2019, this mainly caused by the bank deposits with the usage restriction increasing in the amount of Baht 93.88 million as of 31 December 2019 to be Baht 559.19 million as of 30 June 2020. In this regard, the main amount is the proceeds waiting for the repayment of the debentures that expires on 16 August 2020 approximately amounted to Baht 600 million.

For the non-current asset holding for sales in the amount of Baht 222.91 million as of 30 June 2020 that is the transaction by ECF Power Company Limited (ECF-P) which ECF-P is the subsidiary of the Company that has invested in SAFE Energy Holdings Company Limited (SAFE) with the shareholding of 33.37 percent of total shares by ECF-P. At present, ECF-P is on the process of negotiation by entering into the contract to buy and to sell the shares that ECF-P holds 33.37 percent. At present, the Company is waiting for the conclusion of the source of funds for share purchase from the buyer that has not yet finished. However, after the finish of the conclusion, the Company would comply with furtherly the relating rules and regulations of the Stock Exchange of Thailand.

2. Total Liabilities and Shareholder's Equity

Statement of Financial Position	30 June 2020		31 December 2019		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Liabilities	1,873.42	48.02%	1,676.02	50.06%	197.40	11.78%
Non-Current Liabilities	795.68	20.39%	430.61	12.86%	365.08	84.78%

Statement of Financial Position	30 June 2020		31 December 2019		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total Liabilities	2,669.11	68.41%	2,106.63	62.92%	562.48	26.70%
Shareholder's Equity	1,232.44	31.59%	1,241.68	37.08%	-9.24	-0.74%
Total Liabilities and Shareholder's Equity	3,901.55	100.00%	3,348.31	100.00%	553.24	16.52%

As of 30 June 2020, the Company's total liabilities were Baht 2,669.11 million increased when comparing to as of 31 December 2019 equivalent to Baht 562.48 million which caused by the outstanding of the debentures increasing with the amount of Baht 581.10 million from the issuance and offering in the mid of June.

Shareholder's equities as of 30 June 2020 were Baht 1,232.44 million decreased slightly from as of 31 December 2019, which mainly caused by the decrease of non-controlling interest.

Kindly be informed accordingly,

Yours sincerely,

East Coast Furnitech Public Company Limited

-Signature-

(Arak Suksawad)

Managing Director