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No. ECF2 019/2022

11 August 2022

Subject: Management Discussion and Analysis of the 2<sup>nd</sup> quarter ended 30 June 2022

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 Consolidated Financial Statements of the 2<sup>nd</sup> quarter ended 30 June 2022. Since the Company has its main revenue from the furniture business, the information between the Consolidated Financial Statements and Separate Financial Statements does not differ significantly.

The key information for the Consolidated Financial Statements is shown as the details below;

**Operating Performance: Consolidated**

1. Revenues

Unit: Million Baht

Revenue Structure	Consolidated			
	Amount		Change	
	Q2.Y2022	Q2.Y2021	Amount	%
Revenue from sale – net	339.11	382.79	-43.68	-11.41%
Others income	12.52	14.68	-2.16	-14.70%
Profit (loss) from exchange rate	0.63	2.60	-1.98	-76.00%
<b>Total Revenue</b>	<b>352.26</b>	<b>400.07</b>	<b>-47.82</b>	<b>-11.95%</b>
Share of gain from investment value of the associates	7.85	7.81	0.04	0.58%

In the 2<sup>nd</sup> quarter of 2022, the Company had income from the business of the Company and its Subsidiary's at a value of 339.11 million baht and the total revenues were 352.26 million baht, decreasing when comparing to the same period of the last year equivalent to 11.41 percent and 11.95 percent respectively. It is due to the selling season of Japan customers that delaying to order in 2nd quarter, the situation of the U.S. and the world economic circumstance that have not had any positive factors until now. Normally, in the 2<sup>nd</sup> quarter of every year is the period of generating the lowest sales revenue. In this regard,

if considering the period of 2<sup>nd</sup> quarter in the year 2020 and 2021, the sales revenue of the Company were 277 million baht and 375 million baht respectively that shows the growth trend of sales revenue since the year 2020 and points out that the Company could generate more sales revenue under the current situation of war, inflation, oil price and the pandemic of Covid-19.

Presently, the Company has a proportion of export sales and domestic sales representing at 55 percent and 45 percent respectively. In the 2nd quarter the proportion of export decreased 31.31 percent, whereas the domestic sales increased 37.17 percent owing to the increase of sales of particle board furniture.

The sharing of gain from investment value of the associates has come from the realization of gain from investment in Green Earth Power (Thailand) Company Limited (GEP), which is the investor in a solar power plant project with an installed capacity of 220 MW at Minbu District, Myanmar. ECF Power Company Limited (ECF-P), as the Company's subsidiary, holds 20 percent of the total shares of GEP. At present, the project operates commercially for the 1<sup>st</sup> phase with an installed capacity of 50MW. The project has been currently constructing the 2<sup>nd</sup> phase which the construction progress is in line as planned and is expected to be finished within the 4<sup>th</sup> quarter in this year, and will accelerate the construction for the remaining phases until completed all 4 phases accordingly. Moreover, at present, the Company does not have any obligation to pay more equity to the project because the Company has already completed injecting money according to its stake.

At present, the electricity payment from the Myanmar Electricity Authority is in line with the normal process and does not have any delay from the payment condition of within 45 days.

GEP has gained the revenue with the USD currency under the condition of Power Purchase Agreement (PPA) which is engaged with the Government authority (EPGE), therefore, it does not have any impact on GEP from the policy of Myanmar Government that requests to control the loan repayment in term of USD currency to financial institutions.

Share of profit from GEP's investment in Q2 2022 had a profit of 7.85 million baht, which was close to the same period of the previous year that was worth 7.81 million baht.

Unit: Million Baht

Revenue Structure	Consolidated			
	Amount		Change	
	1H.Y2022	1H.Y2021	Amount	%
Revenue from sale – net	746.46	790.10	-43.64	-5.52%
Others income	25.13	18.37	6.76	36.83%
Profit (loss) from exchange rate	1.23	5.42	-4.19	-77.25%
<b>Total Revenue</b>	<b>772.82</b>	<b>813.89</b>	<b>-41.06</b>	<b>-5.05%</b>
Sharing of gain (loss) from investment value of the associates	14.80	16.12	-1.32	-8.19%

For the 6-month period of 2022, the Company had income from the business of the Company and its Subsidiary's at a value of 746.46 million baht and the total revenues were 772.82 million baht, slightly decreasing when comparing to the same period of the last year equivalent to 5.52 percent and 5.05 percent respectively. Overall, the Company had growth from the domestic sales, accounting for 18.06 percent whereas the export sales decreased 18.73 percent.

The sharing of gain from investment value of GEP for the 1H'22 amounted decreasingly to 8.19 percent from the increase of financial cost regarding the loan to be an advance payment for the construction to a company which is the contractor for the 2<sup>nd</sup> phase.

For the target growth rate for the year 2022, the Company still sets the goal of growth at the rate of 10 – 12 percent because the factors of coming to the sales seasons of the 3rd and 4th quarters including the development of new products in the time that the pandemic has unraveled resulting in customers have started to develop new products with the Company and this expects to help support the chance of growth from the orders that would come in the second half of this year.

## 2. Cost of goods sold and expenses

Unit: Million Baht

Structure of Costs and Expenses	Consolidated					
	Amount		Change		Compared to Total Income	
	Q2.Y2022	Q2.Y2021	Amount	%	Q2.Y2022	Q2.Y2021
Cost of goods sold	256.07	308.62	-52.56	-17.03%	72.69%	77.14%
Cost of sales	13.37	13.89	-0.52	-3.74%	3.80%	3.47%
Administrative expenses	38.77	33.76	5.01	14.84%	11.01%	8.44%
Financial cost	39.41	31.99	7.42	23.21%	11.19%	7.99%
Corporate income tax	2.16	0.15	2.01	1336.67%	0.61%	0.04%
<b>Total cost and expenses</b>	<b>349.78</b>	<b>388.41</b>	<b>-38.64</b>	<b>-9.95%</b>	<b>99.29%</b>	<b>97.08%</b>

As for the overview of costs and expenses incurred during the 2<sup>nd</sup> quarter of 2022, the proportion of the cost of sales (when compared to net sales) decreased significantly from 80.62 percent to 75.51 percent, resulting from the Company has used the new strategy to manage the cost of goods sold through the cost management to be more efficient by controlling from the order of raw materials, setting clearly the budget, setting the planning department that the control has been in every step. The management of using raw materials that are last in the production line to be used first, including the improvement of machines and provision of more modern machines, the control of labor costs especially the overtime expenses, resulting in production costs that have decreased significantly since the 2<sup>nd</sup> quarter.

For the cost of sales, the Company could manage to decrease continuously but administrative expenses increased from the subsidiary's administrative expenses in relating to the cryptocurrency mining business.

The financial costs in the 2nd quarter of 2022 were valued at 39.41 million baht, increasing from the same period of the previous year which valued at 31.99 million baht or equivalent to 23.21 percent because the Company issued and offered the debenture on 9 June 2022 total 3 series at the interest rate of 7 percent, 7.15 percent, and 7.30 percent with a total value of 850 million baht which caused the outstanding value of debentures increasing 547.36 million baht from as of 31 December 2021 that valued 842.70 million baht to be 1,390.06 million baht as of 30 June 2022.

At present, the Company has adjusted plans all the time in order to resiliently manage all working processes in the organization more carefully and concisely to be ready for the economic situation which may have a more negative impact on the future, including the consideration of product's price adjustment in order to reduce such impact.

Unit: Million Baht

Structure of Costs and Expenses	Consolidated					
	Amount		Change		Compared to Total income	
	1H.Y2022	1H.Y2021	Amount	%	1H.Y2022	1H.Y2021
Cost of goods sold	579.44	628.32	-48.88	-7.78%	74.98%	77.20%
Cost of sales	31.30	28.60	2.70	9.44%	4.05%	3.51%
Administrative expenses	76.92	67.79	9.14	13.48%	9.95%	8.33%
Financial cost	75.19	66.71	8.48	12.71%	9.73%	8.20%
(Reverse to income) / Corporate income tax	0.46	0.22	0.24	108.56%	0.06%	0.03%
<b>Total cost and expenses</b>	<b>763.31</b>	<b>791.64</b>	<b>-28.32</b>	<b>-3.58%</b>	<b>98.77%</b>	<b>97.27%</b>

As for the costs and expenses occurring in the 6-month period of 2022, the Company could manage the cost of goods sold which is the highest cost of the Company decreasing from the policy to manage cost control more efficiently. However, the Company still had the proportion of costs of sales, administrative expenses, and financial costs increased when compared to the total revenues, which had the main causes from situation of higher costs and expenses from economic, inflation problem, the issuance and offering the debenture to prepare fund using in business, including the decrease of export sales in the 2<sup>nd</sup> quarter resulting in the value and proportion of expenses to the total revenues increased.

### 3. Profit for the period

Unit: Million Baht

Profit Information	Consolidated			
	Amount		Change	
	Q2.Y2022	Q2.Y2021	Amount	%
Gross Profit	83.05	74.17	8.88	11.97%
<b>Profit (Owners of the parent)</b>	<b>9.83</b>	<b>15.77</b>	<b>-5.94</b>	<b>-37.65%</b>
Profit for the period	9.72	15.81	-6.09	-38.53%
Total Comprehensive Income for the Period	42.19	23.92	18.27	76.38%
Profit ratio for the period to total revenue (%)	2.76%	3.95%		
<b>Profit ratio for the period (Owners of the parent) to total revenue (%)</b>	<b>2.79%</b>	<b>3.94%</b>		
Total comprehensive income ratio for the period to total revenue (%)	11.98%	5.98%		
Total comprehensive income ratio for the period (Owners of the parent) to total revenue (%)	12.01%	5.97%		

As for the profit generated in the 2nd quarter of 2022 of the consolidated financial statements, the decrease in the cost of goods sold from the efficient management resulted in the increase of all operating profits such as gross profit margin, profit from operation margin, and EBITDA margin.

However, it was due to the decrease in export sales and the increase in financial costs resulted in the profit (Owners of the parent) valued at 9.83 million baht, which decreased from the same period of the previous year equaled 15.77 million baht or it was a proportion of 2.79 percent to the total revenues.

Unit: Million Baht

Profit Information	Consolidated			
	Amount		Change	
	1H.Y2022	1H.Y2021	Amount	%
Gross Profit	167.02	161.78	5.24	3.24%
<b>Profit (Owners of the parent)</b>	<b>22.09</b>	<b>30.09</b>	<b>-8.00</b>	<b>-26.60%</b>
Profit for the period	22.07	29.70	-7.63	-25.68%
Total Comprehensive Income for the Period	52.48	54.63	-2.15	-3.94%
Profit ratio for the period to total revenue (%)	2.86%	3.65%		
<b>Profit ratio for the period (Owners of the parent) to total revenue (%)</b>	<b>2.86%</b>	<b>3.70%</b>		
Total comprehensive income ratio for the period to total revenue (%)	6.79%	6.71%		
Total comprehensive income ratio for the period (Owners of the parent) to total revenue (%)	6.79%	6.76%		

Overall, the profit generated in the 6-month period of 2022 of the consolidated financial statements, the decrease in the cost of goods sold from better management policy since the past quarter, resulted in the Company having gross profit margin, profit from operation margin, and EBITDA margin higher in all ratios but owing to the decrease in export sales and the increase in financial costs, this resulted in the profit (Owners of the parent) was 22.09 million baht, decreasing from the same period of the previous year that was 30.09 million baht or it was a proportion of 2.86 percent to the total revenues.

As for the cash flow generated in the 6-month period of 2022, the Company used more cash flow investing in building and machines in order to improve the efficiency of the production line, whereas receiving the cash flow from issuing of debenture, therefore the Company had a net cash flow as of 30 June 2022 equaled 239.05 million baht.

The operating result of the cryptocurrency mining business of the Company which occurred in the 6-month period of 2022 and has been the figures of a subsidiary, ECF Holdings Company Limited (“ECFH”), which the Company currently holds shares of ECFH 94.44 percent. It was found that ECFH was able to mine 2 kinds of cryptocurrency consisting of Bitcoin and Ethereum. ECFH gained profit from the valuation of the inventory of Bitcoin and Ethereum equaled 0.10 million baht and 3.27 million baht respectively. The cost of service to cryptocurrency mining, the cost of selling, and the administrative expenses all equaled 5.72 million baht and the loss for the 6-month period of 2022 was 2.36 million baht. However, the Company gained profit plus depreciation expenses (EBITDA) equivalent to 1.72 million baht and the depreciation expenses were 4.07 million baht. As of 30 June 2022. The Company has the investment value of cryptocurrency mining equaled to 27.62 million baht from the total value of 80 million baht that the Board of Directors of the Company No.6/2021 held on 16 December 2021 resolved to approve, which has not been increased from the last quarter and did not have the value of remaining digital assets as of 30 June 2022 as well.

### Financial Position: Consolidated Financial Statements

#### 1. Total Assets

Unit: Million Baht

Statement of Financial Position	As of 30/06/2022		As of 31/12/2021		Increased / (Decreased)	
	MB	%	MB	%	MB	%
Current Assets	2,308.51	54.97%	2,020.63	53.79%	287.87	14.25%
Non-Current Assets	1,890.88	45.03%	1,735.57	46.21%	155.31	8.95%
<b>Total Assets</b>	<b>4,199.39</b>	<b>100.00%</b>	<b>3,756.20</b>	<b>100.00%</b>	<b>443.18</b>	<b>11.80%</b>

The Company had total assets as of 30 June 2022, which equaled to 4,199.39 million baht increasing from 31 December 2021, which equaled to 443.18 million baht. This was caused by the increases in cash and cash equivalent to 216.64 million baht received from the issuance and offering of debenture totaling 850 million baht in June, accounts receivable increasing 80.25 million baht, and also including the cause of lending a short-term loan to a related company that is the loan in line with the shareholding proportion of ECF Power Company Limited (ECF-Power), as a subsidiary of the Company that invests in the solar power plant project at Minbu city, Myanmar under the management by Green Earth Power (Thailand) Co., Ltd. (GEP), in which ECF-Power holds a 20% stake which as of 30 June 2022, such loan equals to 80 million baht. The loan is used for working capital during the construction period of the 2nd phase with the capacity of 50 MW at this time so as to the progress of construction will be in line as planned. Moreover, that increase in total assets came from the investment of land, buildings, and equipment valuing 65.11 million baht to renovate the buildings, infrastructure, and landscape including machines of the factory to have more efficiency.

## 2. Total Liabilities and Shareholder's Equity

Unit: Million Baht

Statement of Financial Position	As of 30/06/2022		As of 31/12/2021		Increased / (Decreased)	
	MB	%	MB	%	MB	%
Current Liabilities	1,503.83	35.81%	1,693.65	45.09%	-189.83	-11.21%
Non-Current Liabilities	1,331.54	31.71%	735.94	19.59%	595.60	80.93%
<b>Total Liabilities</b>	<b>2,835.36</b>	<b>67.52%</b>	<b>2,429.59</b>	<b>64.68%</b>	<b>405.77</b>	<b>16.70%</b>
<b>Shareholder's Equity</b>	<b>1,364.02</b>	<b>32.48%</b>	<b>1,326.61</b>	<b>35.32%</b>	<b>37.41</b>	<b>2.82%</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,199.39</b>	<b>100.00%</b>	<b>3,756.20</b>	<b>100.00%</b>	<b>443.18</b>	<b>11.80%</b>

As of 30 June 2022, the Company's total liabilities were 2,835.36 million baht increasing by 405.77 million baht from 31 December 2021. This was caused by the issuance and offering of the debenture totaling 850 million baht in June.

Shareholder's equities as of 30 June 2022 were 1,364.02 million baht increasing 37.41 million baht which resulted from the increase of profit from the operation of the Company.

Kindly be informed accordingly,

Yours sincerely,

East Coast Furnitech Public Company Limited

-Signature-

(Arak Suksawad)

Managing Director