

-Translation-**No. ECF2 010/2019**

February 27, 2019

Subject: Management Discussion and Analysis of the year ended December 31, 2018

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 year ended December 31, 2018. The details are as follows;

Operating Performance1. Revenues

Unit: Million Baht

	Consolidated				Separate			
	Amount		Change		Amount		Change	
	2018	2017	Amount	%	2018	2017	Amount	%
Revenue from sale – net	1,454.57	1,444.62	9.94	0.69%	1,443.43	1,427.66	15.77	1.10%
Loss (profit) from the exchange rate	1.26	-0.76	2.02	-267.12%	1.29	-0.77	2.06	-267.73%
Other incomes	48.96	34.06	14.90	43.75%	44.75	31.65	13.09	41.36%
Total Revenue	1,504.79	1,477.93	26.86	1.82%	1,489.47	1,458.55	30.92	2.12%
Sharing of gain (loss) from investment value of the associates	-0.87	17.03	-17.90	-105.13				

In the overview of the year 2018, the Company had growth rate 1.82 percent of total revenue from furniture business. The mainly increase derived from the domestic sales increasing 10.85 percent. For the year 2018, the proportion of domestic sales was 53 percent of total revenue from sale. In addition, other incomes also increased significantly from the profit of sales from machinery and equipment at the amount of Baht 7.99 million.

The sharing of gain (loss) from investment value of the associates for the year 2018 was loss Baht 0.87 million derived from gain (loss) from investment value of the associates with the details as follows;

1. SAFE Energy Holdings Company Limited (SAFE) which is held 33.37 percent of total shares by ECF Power Company Limited (ECF-P) and ECF-P is the subsidiary held

99.99 percent by the Company. At the present, SAFE gains profit from biomass power plant project with installation capacity 7.5 MW of Prize of Wood Green Energy in Narathiwat Province which this project is held 99.99 percent of total shares by SAFE. The Company could start gaining profit sharing since the beginning of the 3rd Quarter of 2017. Moreover, the Company could start commercial operation from SAFE Energy (Phrae) Company Limited for the Biomass Gasification Project with the installation capacity 1 MW at Long District, Phrae Province. For the year 2018, the Company could realize the profit sharing from SAFE at the amount of Baht 7.99 million.

- Green Earth Power (Thailand) Company Limited (GEP) operates solar power plant project with installation capacity 220 MW at Minbu District, Myanmar. ECF-P holds 20 percent of total shares of GEP. Currently, the project is under construction and has not been starting commercial yet. For the year 2018, the Company realized the loss sharing from GEP at the amount of Baht 8.87 million. Now the project is on the process of accelerating to finish the first phase of 50MW soon, therefore the expenses are in high amount from the operation.

From the above details, results to the comparison of the amount of sharing of gain (loss) from investment value of the associates decreased significantly from the year 2017.

2. Cost of goods sold and expenses : Consolidated

Unit: Million Baht

	12 months		Percent of total revenue	
	2018	2017	%	%
Cost of goods sold	1,014.99	1,004.20	67.45	67.95
Cost of sales	157.82	156.62	10.49	10.60
Administrative expenses	187.61	179.55	12.47	12.15
Financial costs	101.24	78.66	6.73	5.32
Income tax expense	13.21	11.65	0.88	0.79
Total cost of goods sold and expenses	1,474.87	1,430.68		

The overview of costs and expenses of the year 2018, the Company could manage the proportion of cost good sold, cost of distribution and administrative expenses which was approximate to the year 2017. Exception the cost of financial which increased significantly or equivalent to Baht 22.58 million from the outstanding debt from the offering and issuance of debenture on February 2018 in the amount of Baht 699.90 million and short-term loans from individuals and other businesses with the outstanding balance as of 31 December 2018 Baht 283.18 million. For income tax expense was approximate to the last year.

3. Profit for the period

Unit: Million Baht

	Consolidated				Separate			
	Amount		Change		Amount		Change	
	2018	2017	Amount	%	2018	2017	Amount	%
Gross Profit	439.58	440.42	-0.84	-0.19	436.01	434.47	1.54	0.35
Profit (Owners of the parent)	33.33	70.57	-37.24	-52.77	48.54	71.49	-22.95	-32.11
Total Comprehensive Income for the Period	28.63	64.27	-35.64	-55.46				

In overall the profit of the year 2018 (Consolidated), for profit (Owners of the parent) amounted to Baht 33.3 million which decreased significantly 52.77 percent when comparing to the last year. It caused from the profit sharing from the investment of biomass power plant via Safe Energy Holding Company Limited together with solar power plant project, Myanmar (GEP). Besides the realized profit from SAFE, the Company has to realize the loss from GEP since the solar power plant project is under construction and has not been starting the commercial operation as the above mentioned.

In this regard, the profit from furniture business (Separate) could still generate gross profit with growth equivalent to 0.35 percent. The Company could efficiently manage cost of good sold for furniture business whereas the profit for the period decrease significantly 32 percent from the impact of the financial cost increasing from the provision of source of fund for the Company's investment.

Financial Position: Consolidated Financial Statements**1. Total Assets**

Statement of Financial Position	December 31, 2018		December 31, 2017		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	1,872.72	55.15	1,428.27	51.37	444.45	31
Non-Current Assets	1,522.81	44.85	1,352.02	48.63	170.79	13
Total Assets	3,395.53	100.00	2,780.29	100.00	615.24	22

As of December 31, 2018, the Company's total assets was Baht 3,395.53 million, increased by Baht 615.24 million from as of December 31, 2017. The main reason came from the increase of inventory, property, plant and equipment and also the investment in associates. In this regard, the investment in associates and joint venture accounted for using the equity method as of December 31, 2018 amounted to Baht 561.69 million increasing from as of December 31, 2017 which amounted to Baht 472.22 million, which could be divided into the investment to SAFE amounted Baht 214.95 million and the investment to GEP amounted to Baht 346.74 million.

2. Total Liabilities and Shareholder's Equity

Statement of Financial Position	December 31, 2018		December 31, 2017		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Liabilities	1,181.25	34.79	1,695.06	60.97	-513.81	-30.31
Non-Current Liabilities	766.96	22.59	58.67	2.11	708.29	1,207.20
Total Liabilities	1,948.21	57.38	1,753.73	63.08	194.48	11.09
Shareholder's Equity	1,447.32	42.62	1,026.56	36.92	420.76	40.99
Total Liabilities and Shareholder's Equity	3,395.53	100.00	2,780.29	100.00	615.24	22.13

As of December 31, 2018, the Company's total liabilities was Baht 1,948.21 million increased when comparing to as of December 31, 2017 equivalent to Baht 194.48 million. In this regard, the debt to equity ratio was 1.35 times.

Shareholder's Equity as of December 31, 2018 was Baht 1,447.32 million increased Baht 420.76 million from as of December 31, 2017 from the increase of paid-up capital which equivalent to Baht 32.35 million together with share premium from the exercising of ECF-W1 that expired in the year 2018 at the exercise price Baht 0.5 Baht per share, ECF-W2 No. 2/6 on February 23, 2018, No.3/6 on May 25, 2018, No.4/6 on August 24, 2018 and No.5/6 on November 23, 2019 at the exercise price Baht 3 per share.

Kindly be informed accordingly,

Yours sincerely,

East Coast Furnitech Public Company Limited

-Signature-

(Arak Suksawad)

Managing Director