

**EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**1. GENERAL**

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

The Company’s head office is located at 37/9 Moo 3 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong 21110. The Company’s total number of branches is 14 which comprise 3 branches located in Bangkok and Nonthaburi, 2 branches in Pathumthani and a branch in Rayong, Nakhon Ratchasima, Chonburi, Chiangmai, Chachoengsao, and Songkhla.

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

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

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

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

**2. BASIS FOR THE FINANCIAL STATEMENT PREPARATION**

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

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

The consolidated financial statements for the years ended December 31, 2018 and 2017 included the accounts of the Company and its subsidiaries in which the Company has the controlling power or direct / indirect shareholding as follows:

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Name of Subsidiaries	Type of Business	Country of Incorporation and Operation	Percentage of Shareholding	
			2018	2017
VV-Décor Co., Ltd.	Sales of laminating papers and furniture- decorating supplies	Thailand	99.95	99.95
ECF Holdings Co., Ltd.	Retail shops for sundry goods imported from abroad	Thailand	75.00	75.00
ECF Power Co., Ltd.	Holding company in energy business	Thailand	99.99	99.99
Planet Board Co., Ltd	Manufacturing and sales of wood-base panel, i.e. MDF board and particle board	Thailand	57.00	99.99

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

Starting from January 1, 2018, the Group had adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Interpretation (TSIC), and Thai Financial Reporting Interpretation (TFRIC), revised by FAP, which became effective from the accounting period starting on or after January 1, 2018. The aforesaid adoption of revised TAS and TFRS as well as TSIC and TFRIC did not have any material effect on the Group.

Subsequently, FAP issued several Notifications which were announced in the Royal Gazette in 2018 regarding the new and revision of aforesaid TAS and TFRS as well as TSIC and TFRIC with effective from the accounting period starting on or after January 1, 2019 and 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 new and revised TAS and TFRS as well as TSIC and TFRIC are as follows:

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 2 (revised 2018)	Inventories
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events after the Reporting Period
TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 32*	Financial Instruments: Presentation
TAS 33 (revised 2018)	Earnings per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets

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TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible Assets
TAS 40 (revised 2018)	Investment Property
TAS 41 (revised 2018)	Agriculture
TFRS 1 (revised 2018)	First-time Adoption of International Financial Reporting Standards
TFRS 2 (revised 2018)	Share-based Payment
TFRS 3 (revised 2018)	Business Combinations
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 7*	Financial Instruments: Disclosures
TFRS 8 (revised 2018)	Operating Segments
TFRS 9*	Financial Instruments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (revised 2018)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases - Incentives
TSIC 25 (revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2018)	Service Concession Arrangements: Disclosures
TSIC 32 (revised 2018)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement Contains a Lease
TFRIC 5 (revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 “Financial Reporting in Hyperinflationary Economies”
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2018)	Service Concession Arrangements
TFRIC 14 (revised 2018)	TAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 17 (revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2018)	Levies

Management of the Group has preliminarily assessed and believed that there will be no material effect to the financial statements of the Group upon adoption of the aforesaid new and revised TAS and TFRS as well as TSIC and TFRIC with effective in 2019 whereas the new TFRS (Financial Instruments), with effective in 2020, management of the Group is during the assessment and consideration of the impacts from adoption of the aforesaid new TAS, TFRS and TFRIC.

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The Group disclosed information for the year ended December 31, 2017 for being the comparative information in the financial statements for the year ended December 31, 2018 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.

#### **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.

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

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

Current investment in 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.

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.

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**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.

**Investment in Held-to-Maturity Debt Securities**

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

**Property, Plant and Equipment**

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

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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.

*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.

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**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.

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.



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**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.

**Revenue Recognition**

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

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

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

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

Other income is recognized on an accrual basis.

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**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.

**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.

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*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”).

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.

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Types of relationship of related parties are as follows:

<u>Name of Companies / Persons</u>	<u>Type of Business</u>	<u>Type of Relationship</u>
VV-Décor Co., Ltd.	Sales of laminating papers and furniture-decorating supplies	Subsidiary
ECF Holdings Co., Ltd.	Retailers on sundry goods imported from abroad	Subsidiary
ECF Power Co., Ltd.	Holding company in energy business	Subsidiary
Planet Board Co., Ltd.	Manufacturing and sales of wood-base panel, i.e. MDF board and particle board	Subsidiary
Safe Energy Holdings Co., Ltd.	Holding company in energy business	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
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
Khun Wallop Suksawad	-	Shareholder and director (key management)
Khun Varaporn Suksawad	-	Shareholder and director (key management)
Khun Chalee Suksawad	-	Shareholder and director (key management)
Khun Arak Suksawad	-	Shareholder and director (key management)
Khun Tippawan Suksawad	-	Shareholder and director (key management)
General Terdsak Marrome	-	Director (key management)
Khun Montee Socratianurak	-	Director (key management)
Khun Songklod Jarusombuti	-	Director (key management)
Khun Ekarin Vasanasang	-	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).

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

Pricing policies for transactions with related parties are as follows:

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

Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<b>Sales of products</b>				
Subsidiary	-	-	13,392	19,294
Related companies	16,981	25,104	16,981	25,104
<b>Total</b>	<b>16,981</b>	<b>25,104</b>	<b>30,373</b>	<b>44,398</b>
<b>Interest income</b>				
Subsidiary	-	-	463	50
Associate	58	25	-	-
Joint venture	228	-	-	-
Related person	1,492	-	-	-
<b>Total</b>	<b>1,778</b>	<b>25</b>	<b>463</b>	<b>50</b>
<b>Space rental income</b>				
Subsidiary	-	-	10	10
<b>Sales of equipment</b>				
Subsidiary	-	-	60	-
<b>Sales of investment in subsidiary</b>				
Related persons	-	-	5,375	-
<b>Purchases of inventories and raw materials or supplies</b>				
Subsidiary	-	-	4	42
Related company	-	1,046	-	1,046
<b>Total</b>	<b>-</b>	<b>1,046</b>	<b>4</b>	<b>1,088</b>
<b>Purchase of equipment</b>				
Subsidiary	-	-	816	-
<b>Showroom rental and service charges</b>				
Related company	18,910	19,918	18,910	19,918

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<b>Decoration costs of showrooms (recorded as other non-current assets)</b>				
Related companies	-	905	-	905
<b>Interest expense</b>				
Subsidiary	-	-	1,630	229
Related persons	-	303	-	290
Total	-	303	1,630	519
<b>Key management's remunerations</b>				
Short-term benefits	23,308	23,426	23,308	23,426
Post-employment benefits	477	476	477	476
Total	23,785	23,902	23,785	23,902

Significant outstanding balances with related parties as at December 31, 2018 and 2017 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<b>Trade receivables</b>				
Subsidiary	-	-	7,825	8,406
Related companies	6,083	5,933	6,083	5,932
Total	6,083	5,933	13,908	14,338
<b>Other receivables (other current assets)</b>				
Subsidiary	-	-	1,451	-
<b>Advances (other current assets)</b>				
Joint venture	4,674	-	-	-
<b>Short-term loans and interest receivable</b>				
<b>Interest receivable</b>				
Subsidiary	-	-	275	-
Associate	83	25	-	-
Joint venture	228	-	-	-
Related person	945	-	-	-
<b>Short-term loans</b>				
Subsidiary (interest rate at 5.5% p.a. and due in November 2019)	-	-	22,925	-
Associate (interest rate at 5% p.a. and due at call)	1,161	1,161	-	-
Joint venture (interest rate at 7.5% p.a. and due at call)	12,926	-	-	-
Related person (interest rate at 7.5% p.a. and due at call)	50,000	-	-	-
Total	65,343	1,186	23,200	-

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<b>Advance for share subscription</b>				
Subsidiary	-	-	78,375	-
Joint venture	-	58,398	-	-
<b>Total</b>	<b>-</b>	<b>58,398</b>	<b>78,375</b>	<b>-</b>
<b>Deposits / guarantees on rental and services for showrooms</b>				
Related company	4,603	4,879	4,603	4,879
<b>Other payables</b>				
Subsidiary	-	-	53	13
Related companies	1,849	1,522	1,849	1,521
<b>Total</b>	<b>1,849</b>	<b>1,522</b>	<b>1,902</b>	<b>1,534</b>
<b>Short-term loans and interest payable</b>				
<b>Interest payable</b>				
Subsidiary	-	-	238	-
<b>Short-term loans</b>				
Subsidiary (interest rate at 7.5% p.a. and due at call)	-	-	40,000	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>40,238</b>	<b>-</b>

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

	Consolidated (In Thousand Baht)			
	December 31, 2017	Movements during the year		December 31, 2018
		Increase	Decrease	
<b>Short-term loans to</b>				
Green Earth Power (Thailand) Co., Ltd.	1,161	-	-	1,161
Safe Energy Holdings Co., Ltd.	-	12,926	-	12,926
Director of associate	-	140,000	90,000	50,000

	Separate Financial Statement (In Thousand Baht)			
	December 31, 2017	Movements during the year		December 31, 2018
		Increase	Decrease	
ECF Holdings Co., Ltd.	-	10,000	-	10,000
ECF Power Co., Ltd.	-	12,925	-	12,925

	Separate Financial Statements (In Thousand Baht)			
	December 31, 2017	Movements during the Period		December 31, 2018
		Increase	Decrease	
<b>Short-term loans</b>				
ECF Power Co., Ltd.	-	80,000	40,000	40,000

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**5. TRADE RECEIVABLES**

As at December 31, 2018 and 2017, trade receivables classified by outstanding period are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<i>Related companies</i>				
Current	4,316	4,103	6,757	7,946
Overdue :				
Not exceeding 3 months	1,754	1,817	5,643	6,379
Between 3 months - 6 months	-	-	1,495	-
Over 12 months	13	13	13	13
Total	<u>6,083</u>	<u>5,933</u>	<u>13,908</u>	<u>14,338</u>
<i>Other companies - net</i>				
Current	181,953	206,206	179,283	203,831
Overdue :				
Not exceeding 3 months	73,621	59,431	70,947	55,434
Between 3 months - 6 months	20,398	8,667	19,091	9,530
Between 6 months - 12 months	32,451	5,749	31,762	4,492
Over 12 months	18,407	5,868	16,031	4,297
Total	<u>326,830</u>	<u>285,921</u>	<u>317,114</u>	<u>277,584</u>
Less Allowance for doubtful accounts	<u>( 5,005)</u>	<u>( 2,410)</u>	<u>( 3,297)</u>	<u>( 1,307)</u>
Net	<u>321,825</u>	<u>283,511</u>	<u>313,817</u>	<u>276,277</u>

As at December 31, 2018 and 2017, the Company discounted, under factoring, its trade receivables amounting to approximately Baht 136.9 million and Baht 150.6 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 113.4 million and Baht 115.7 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	
	2018	2017	2018	2017
Finished goods	331,522	301,141	330,049	292,343
Work-in-process	738,255	586,205	738,255	586,205
Raw materials	61,406	69,172	61,406	69,172
Factory supplies	40,745	40,720	40,745	40,720
Inventories in transit	4,514	4,434	4,514	4,434
Total	<u>1,176,442</u>	<u>1,001,672</u>	<u>1,174,969</u>	<u>992,874</u>
Less Allowance for diminution in value of obsolete and slow moving inventories	<u>( 4,235)</u>	<u>( 3,056)</u>	<u>( 4,235)</u>	<u>( 3,056)</u>
Net	<u>1,172,207</u>	<u>998,616</u>	<u>1,170,734</u>	<u>989,818</u>



**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

As at December 31, 2018 and 2017, the written-down amount of cost to net realizable value which was recognized as part of cost of sales in the statements of comprehensive income for the years ended December 31, 2018 and 2017 amounting to approximately Baht 6.5 million and Baht 7.2 million, respectively.

**7. LOANS TO OTHER PARTIES**

Non-current portion of this account represented loan for a period not exceeding 15 years to Inter Far East Energy Corporation Public Company Limited “IFEC” (interest at 6.25% p.a., due within March 2019 and secured by common shares of borrower’s subsidiary) in the form of deposit for feasibility study of investment in the 1-Megawatt solar power plant project of CR Solar Co., Ltd. “CRS”, located at Amphur Thern in Lampang province, instead of investment in the biomass power plant project of True Energy Power Lopburi Co., Ltd. “TRUE-P” whereby the Company completed its feasibility study but was unsuccessful in negotiation for investment. Accordingly, the Company decided to do the feasibility study for solar power plant project of CRS instead (both CRS and TRUE-P are subsidiaries of the borrower). On December 22, 2017, the Company, borrower, and CRS entered into the Memorandum of Understanding for determining the condition that such loan and related interest receivable will be able to use as deposit on future settlement of the price on purchase-sale of the business if the Company is satisfied by outcome of the feasibility study and decides to invest. As at December 31, 2018, the Company has been partially performing the processes of feasibility study as well as due diligence for the appropriate value of the project whereby the Company has been collecting and obtaining the legally effective significant documents relating to the project. Such loan has been charged for interest until its maturity period is reached or all conditions under such Memorandum of Understanding are fulfilled. The Company and CRS have agreed to extend duration for due diligence process to be within February 28, 2019 as well as duration for entering into sale-purchase agreement of business to be within March 31, 2019. Presently, the Company is during the negotiation for the progress of such project with IFEC’s new Board of Directors which was appointed by the extraordinary shareholders’ meeting recently held in December 2018.

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.

**8. RESTRICTED DEPOSITS AT BANKS**

As at December 31, 2018 and 2017, the Company has collateralized its fixed deposits with two local banks amounting to approximately Baht 73 million and Baht 72 million, respectively, as guarantees for its short-term loan facilities with such banks.

**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)	
	2018	2017	2018	2017	2018	2017
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.	547,652	522,653	99.99	99.99	547,652	516,952
Planet Board Co., Ltd.	50,000	50,000	57.00	99.99	7,125	12,500
Total					<u>563,277</u>	<u>537,952</u>

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

During 2018 and 2017, the subsidiaries did not declare any dividends to the shareholders.

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.

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.

Significant financial information in the financial statements for the years 2018 and 2017 of ECF-H which included the non-controlling interests at the proportion of 25% is as follows:

	In Million Baht	
	2018	2017
Other current assets	4.3	13.9
Other non-current assets	6.6	13.7
Other current liabilities	42.8	38.3
Other non-current liabilities	2.5	5.0
Shareholders' equity (capital deficiency)	(34.4)	(15.7)
Sales of goods	10.6	16.1
Other income	0.1	0.3
Profit (loss) for the year	(18.8)	(25.7)
Total comprehensive income (loss) for the year	(18.8)	(25.7)

Significant financial information in the financial statements for the years 2018 and 2017 of PNB which currently included the non-controlling interests at the proportion of 43% is as follows:

	In Million Baht	
	2018	2017
Other current assets	98.2	12.2
Other non-current assets	19.1	-
Other current liabilities	2.0	-
Shareholders' equity (capital deficiency)	115.3	12.2
Other income	0.4	-
Profit (loss) for the year	-	( 0.3)
Total comprehensive income (loss) for the year	-	( 0.3)

**EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**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		Dividends	
	2018	2017	2018	2017	2018	2017	2018	2017
Green Earth Power (Thailand) Co., Ltd. ("GEP")	20.00	20.00	155,756	125,756	346,738	316,980	-	-
Safe Energy Holding Co., Ltd. ("SAFE")	33.37	33.37	581,000	426,000	214,954	155,238	-	-
Total investment in associate and joint venture					<u>561,692</u>	<u>472,218</u>		

Share of profit from SAFE and share of loss from GEP for the year 2018 amounted to approximately Baht 8.0 million and Baht 8.9 million, respectively, whereas share of other comprehensive loss from GEP for the year 2018 amounted to approximately Baht 0.4 million. In addition, during 2018, ECF-P additionally invested in GEP amounting to approximately Baht 39.1 million whereas addition to investment in SAFE of approximately Baht 51.7 million during 2018 was the amount transferred from advance for share subscription pertaining to the 2017 yearend. Share of profit from SAFE and GEP for the year 2017 amounted to approximately Baht 13.1 million and Baht 3.9 million, respectively.

**EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

The Group's joint venture (SAFE) arranged the measurement of fair values of identifiable assets and liabilities at the acquisition date (June 2017) of three subsidiaries of SAFE i.e. Prize of Wood Green Energy Company Limited ("PWGE"), (2) Safe Biomass Co., Ltd. (SAFE-B) and (3) Bina Puri Power (Thailand) Co., Ltd. ("BINA"). This measurement was done by the independent appraiser and completed during 2018 which was not exceeding the measurement period specified in the related Thai financial reporting standard (TFRS 3). Net fair values of the identifiable assets and liabilities of the subsidiaries differed from the cost of investment and the carrying amounts of net assets previously recorded by the joint venture and the Group through the investment in joint venture accounted for using the equity method in the consolidated financial statements in the net amount of approximately Baht 2.5 million. Accordingly, the Group retrospectively adjusted the 2017 consolidated financial statements in respect of the results from such measurement as if the accounting records for business combination between the joint venture and its three subsidiaries had been completed since the acquisition date in 2017. Such retrospective adjustment resulted in (1) decrease in balances of investment in joint venture accounted for using the equity method and unappropriated retained earnings in the consolidated statement of financial position as at December 31, 2017 of approximately Baht 2.5 million from the previously reported balance (mainly were adjustments for depreciation and amortization relating to the increase in net fair values of the joint venture's subsidiaries) and (2) decrease in share of profit from investment in joint venture and profit for the year/total comprehensive income for the year in the consolidated statement of comprehensive income for the year ended December 31, 2017 of approximately Baht 2.5 million (basic and diluted earnings per share in the 2017 consolidated financial statements decreased by approximately Baht 0.003) from the previously reported amounts.

Summarized information relating to the measurement of fair values of identifiable assets and liabilities at the acquisition date of three subsidiaries of SAFE is as follows:

	<u>In Million Baht</u>
Fair values of identifiable assets	833.8
<u>Less</u> fair values of identifiable liabilities	<u>306.7</u>
Net fair values of identifiable assets and liabilities	527.1
<u>Less</u> Cost of investment	<u>529.9</u>
Net fair values over (under) cost of investment pertaining to SAFE	<u>( 2.8)</u>
Net fair values over (under) cost of investment pertaining to the Group (33.37%)	<u>( 0.9)</u>

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

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

Subsequently in June 2017, SAFE increased its share capital by Baht 425 million (from Baht 1 million to Baht 426 million) in order to support the investment project in PWGE.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

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

In addition, in April 2017, ECF-P invested in associate for the common shares of Green Earth Power (Thailand) Co., Ltd. ("GEP") purchased from the major shareholders of GEP in the proportion of 20% of the entire common shares issued by such company with the initial investment value of approximately Baht 310.05 million (U.S. Dollar 9 million). In the future, GEP will increase its share capital to support the investment in construction of power plant and production of the electric power for sales of its subsidiary (100% held by GEP), i.e. GEP (Myanmar) Company Limited ("GEPM"), whereby the project will be separated into 4 phases until reaching full capacity of 220 megawatts. According to such increase in share capital, ECF-P shall additionally invest in the future for its portion amounting to approximately Baht 696.58 million (U.S. Dollar 20.22 million) during 2018 to 2021. GEP is engaged as a holding and management company in the 220-megawatt solar power plant project of GEPM which is located in Minbu province, Myanmar.

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

Significant financial information in the consolidated financial statements for the years 2018 and 2017 of GEP and SAFE, which are material to the Group, is as follows:

	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	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, 2018 and 2017**

	2017 - In Million Baht	
	GEP	SAFE
Other current assets	175.0	163.7
Other non-current assets	342.8	851.8
Other current liabilities	258.9	335.8
Other non-current liabilities	0.3	185.4
Revenues	100.4	118.7
Profit (loss) for the year	( 4.2)	36.3
Total comprehensive income (loss) for the year	( 8.5)	36.3
Shareholders' equity (excluding non-controlling interests)	258.6	463.0
The Group's interest at the investment proportion in associates	51.7	154.3
Purchase price of investment in excess of the Group's interest	265.3	0.9
Carrying amount of investment in which equity method is applied	317.0	155.2

**11. PROPERTY, PLANT AND EQUIPMENT - NET**

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2018
	Beginning Balance as at January 1, 2018	Movements During the Year			
		Addition	Deduction	Transfer	
<b>Cost</b>					
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
<b>Total Cost</b>	<b>757,022</b>	<b>148,933</b>	<b>12,694</b>	<b>-</b>	<b>893,261</b>
<b>Accumulated Depreciation</b>					
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
<b>Total Accumulated Depreciation</b>	<b>400,471</b>	<b>38,597</b>	<b>10,662</b>	<b>-</b>	<b>428,406</b>

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2018
	Beginning Balance as at January 1, 2018	Movements During the Year			
		Addition	Deduction	Transfer	
<b>Allowance for Impairment</b>					
Buildings and building improvement	2,527	-	-	-	2,527
Machinery and equipment	2,932	-	-	-	2,932
<b>Total Allowance for Impairment</b>	5,459	-	-	-	5,459
<b>Net</b>	351,092				459,396
	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	Transfer	
<b>Cost</b>					
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
<b>Total Cost</b>	752,136	129,920	11,607	-	870,449
<b>Accumulated Depreciation</b>					
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
<b>Total Accumulated Depreciation</b>	398,895	37,760	10,316	-	426,339
<b>Allowance for Impairment</b>					
Buildings and building improvement	2,527	-	-	-	2,527
Machinery and equipment	2,932	-	-	-	2,932
<b>Total Allowance for Impairment</b>	5,459	-	-	-	5,459
<b>Net</b>	347,782				438,651

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

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



**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

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

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, 2018 and 2017**

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, 2018 and 2017 and movements during the years ended December 31, 2018 and 2017 (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, 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
<b>Total</b>	<b>311,918</b>	<b>-</b>	<b>-</b>	<b>( 34,509)</b>	<b>277,409</b>

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

As at December 31, 2018 and 2017, the Company's land, building and building improvement, machinery and equipment of which carrying amount totalling approximately Baht 241.7 million and Baht 251.1 million, respectively, were used as guarantees for the credit facilities with financial institutions as discussed in Notes 13 and 18.

As at December 31, 2018 and 2017, the Company's machinery and equipment and vehicles of which carrying amount totalling approximately Baht 9.5 million and Baht 19.0 million, respectively, were under the obligations and conditions of hire purchase and finance lease agreements as discussed in Note 19.

As at December 31, 2018 and 2017, cost of the Company's plant and equipment which have been fully depreciated but still in use amounting to approximately Baht 249.0 million and Baht 221.0 million, respectively.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

Depreciation of plant and equipment 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 while for the year 2017 amounted to approximately Baht 79.0 million in the consolidated financial statements and Baht 78.0 million in separate financial statements. 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 and Baht 35.7 million, respectively, both in the consolidated and separate financial statements.

**12. INTANGIBLE ASSETS - NET**

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

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

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

	Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2017
	Beginning Balance as at January 1, 2017	Movements During the Year			
		Addition	Deduction	Transfer	
Cost	9,230	29	-	-	9,259
Accumulated amortization	( 6,856)	( 1,023)	-	-	( 7,879)
Net	2,374	( 994)	-	-	1,380

Amortization for the years ended December 31, 2018 and 2017 amounted to approximately Baht 0.8 million and Baht 1.1 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, 2018 and 2017**

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

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
Bank overdrafts	42,155	18,246	38,186	14,288
Loans under packing credits	198,687	198,507	198,687	198,507
Loans under promissory notes	250,000	210,000	250,000	210,000
Loans under trust receipt agreements	-	5,018	-	5,018
<b>Total</b>	<b>490,842</b>	<b>431,771</b>	<b>486,873</b>	<b>427,813</b>

As at December 31, 2018 and 2017, the Group had overdraft lines with three local banks totalling Baht 55 million (totalling Baht 50 million for the Company only) which bear interest at Minimum Overdraft Rate.

As at December 31, 2018 and 2017, the Company had packing credit facilities with two local banks totalling Baht 200 million which bear interest at 1.5% p.a. lower than Minimum Loan Rate.

As at December 31, the Company had promissory note facilities with three local banks totalling Baht 250 million in 2018 and Baht 210 million in 2017 which bear interest bear interest ranging between 4.25% and 5.25% p.a.

As at December 31, 2018 and 2017, 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**

This account in 2018 represented short-term loans under bill of exchange, unsecured and partially secured by the Company's 26.8 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. which have maturities not exceeding six months from the particular issuance dates. This account in 2017 represented short-term loans under bill of exchange, unsecured and issued by the Company and a subsidiary to several non-related persons and companies between October and December 2017. These loans bear interest ranging between 4.5% p.a. to 6.0% p.a. which have maturities not exceeding four months from the particular issuance dates.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
Other payables	30,391	22,070	29,359	21,262
Advances from customers	10,334	4,229	10,217	4,229
Accrued advertising and sales promotion expenses	10,033	18,908	10,033	18,908
Accrued interest	6,101	4,626	6,078	4,623
Accrued salary, wage, and welfares	3,849	4,330	3,822	4,314
Accrued electricity	3,544	3,332	3,512	3,266
Others	4,415	4,476	3,429	4,074
<b>Total</b>	<b>68,667</b>	<b>61,971</b>	<b>66,450</b>	<b>60,676</b>

**16. DEBENTURES**

	Consolidated and Separate Financial Statements	
	(In Thousand Baht)	
	2018	2017
Debentures	699,900	500,000
Less Deferred direct transaction costs on debenture issuance	( 11,262)	( 116)
<b>Net</b>	<b>688,638</b>	<b>499,884</b>

On February 16, 2018, the Company limitedly issued and offered the registered, unsubordinated, and unsecured 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.

On May 26, 2016, the Company limitedly issued and offered the registered, unsubordinated, and unsecured debentures to the institutional investors of 500,000 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 5.4% p.a. whereby interest is payable on a quarterly basis and matured for redemption on February 26, 2018. 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, 2018 and 2017, such debentures had fair values of approximately Baht 699.7 million and Baht 500.6 million, respectively, which is the Level 1 inputs of the fair value hierarchy.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**17. LIABILITY FOR POST-EMPLOYMENT BENEFITS**

Movements of liability for post-employment benefits for the years ended December 31, 2018 and 2017 are as follows:

	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2018	2017
Liability for post-employment benefits as at January 1	6,346	5,920
Current service cost	340	331
Interest cost	107	95
Expense recognized as profit or loss in statement of comprehensive income	447	426
Liability for post-employment benefits as at December 31	6,793	6,346

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

- Discount rate 2.87% p.a.
- Salary escalation rate 6.43% p.a.
- Employee turnover rate 11% - 48% p.a.

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%)	(187)	200
Salary escalation rate (increase/decrease by 0.5%)	249	(233)
Employee turnover rate (increase/decrease by 1%)	(542)	638

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 rate of 300 days to the new rate of 400 days. Such matter may trigger the increase in balance of the estimated liability for post-employment benefits as at the end of 2018 of approximately Baht 1.4 million.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**18. LONG-TERM BORROWINGS**

Long-term borrowings from three local banks in 2018 and 2017 comprised of:

	Consolidated (In Thousand Baht)	
	2018	2017
1) Loans under facilities amount of Baht 108 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	18,336
2) Loans under facilities amount of Baht 80 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	13,329
3) Loans under facilities amount of Baht 42 million, repayable monthly until December 2019, bear interest at 0.25% p.a. lower than Minimum Loan Rate	-	11,110
4) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	1,634	5,236
5) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	25,366	32,999
6) Loans under facilities amount of Baht 25 million, repayable monthly until September 2024, bear interest at Minimum Loan Rate	17,963	-
7) Loans under facilities amount of Baht 40 million (of subsidiary), repayable monthly until March 2021, bear interest at Minimum Loan Rate	-	5,573
8) Loans under facilities amount of Baht 10 million (of subsidiary), repayable monthly until March 2021, bear interest at Minimum Loan Rate	5,135	7,263
Total	50,098	93,846
Less Current portion	( 18,340)	( 87,253)
Net	31,758	6,593
	Separate Financial Statement (In Thousand Baht)	
	2018	2017
1) Loans under facilities amount of Baht 108 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	18,336
2) Loans under facilities amount of Baht 80 million, repayable monthly until December 2018, bear interest at 1.25% p.a. lower than Minimum Loan Rate	-	13,329
3) Loans under facilities amount of Baht 42 million, repayable monthly until December 2019, bear interest at 0.25% p.a. lower than Minimum Loan Rate	-	11,110
4) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	1,634	5,236
5) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	25,366	32,999
6) Loans under facilities amount of Baht 25 million, repayable monthly until September 2024, bear interest at Minimum Loan Rate	17,963	-
Total	44,963	81,010
Less Current portion	( 13,205)	( 79,352)
Net	31,758	1,658

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

The above loans have guarantees as discussed in Notes 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, 2018, 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 AND FINANCE LEASE AGREEMENTS**

	In Thousand Baht	
	2018	2017
Liabilities under hire purchase and finance lease agreements		
- Due for payments within one year	3,149	5,704
- Due for payments between 2-5 years	2,528	5,764
Total	5,677	11,468
Less Deferred interest	( 268)	( 617)
Liabilities under hire purchase and finance lease agreements - net of deferred interest	5,409	10,851
Less Current portion	( 2,973)	( 5,337)
Net	2,436	5,514

Amortized interest, which was presented as part of “Finance costs” in the statements of comprehensive income for the years 2018 and 2017, amounted to approximately Baht 0.3 million and Baht 0.5 million, respectively.

During 2012 to 2018, the Company entered into hire purchase agreements for its vehicles with three local banks and seven private companies for the periods of 24 to 60 months whereby such hire purchase agreements will end during 2017 to 2021.

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

	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2018	2017
Deferred gain on sales and leaseback	12	271
Less Cumulative recognized amount	( 12)	(259)
Net	-	12

Gain on sales and finance leaseback which was recognized as part of “Other income” for the years 2018 and 2017 amounted to approximately Baht 12 thousand and Baht 68 thousand, respectively.



**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**20. SHARE CAPITAL, PREMIUM ON SHARES AND WARRANTS**

	Par Value (In Baht)	In Thousand Shares / In Thousand Baht			
		2018		2017	
		No. of Share	At Par Value	No. of Share	At Par Value
Authorized share capital					
As at December 31					
- Common shares	0.25	<u>1,416,549</u>	<u>354,137</u>	<u>1,416,549</u>	<u>354,137</u>
Issued and paid-up shares					
as at January 1					
- Common shares	0.25	830,008	207,502	568,826	142,207
Private placement	0.25	8,200	2,050	30,000	7,500
Exercise of warrants	0.25	<u>121,197</u>	<u>30,299</u>	<u>231,182</u>	<u>57,795</u>
As at December 31					
- Common shares	0.25	<u>959,405</u>	<u>239,851</u>	<u>830,008</u>	<u>207,502</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.

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

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

- a) Decrease in the Company’s authorized share capital amounting to Baht 64,411,770.00 from previously Baht 259,349,716.50 to Baht 194,937,946.50 by eliminating the unissued 257,647,080 common shares, Baht 0.25 par value. The Company subsequently registered such decrease in share capital with the Ministry of Commerce on October 16, 2017.

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

- b) Increase in the Company's authorized share capital amounting to Baht 159,199,322.50 from previously Baht 194,937,946.50 to Baht 354,137,269.00 by issuance of new 636,797,290 common shares, Baht 0.25 par value in order to accommodate the following schemes:
- (1) General mandate basis of the increase in share capital for offering to the existing shareholders (Right Offering) of 233,925,535 shares;
  - (2) General mandate basis of the increase in share capital for offering to specific persons (Private Placement) of 77,975,178 shares whereby the Board of Directors subsequently approved in their meeting (a) on October 3, 2017 to offer the first lot, not exceeding 40,000,000 shares, to Macquarie Bank Limited ("Macquarie"), who is foreign institutional investor incorporated and operates its finance and banking businesses in Australia. Macquarie shall purchase the Company's newly issued shares at once or occasionally at the price not less than 90% of the volume weighted average price of the Company's shares on the Market for Alternative Investment for the past 7 consecutive business days prior to the date on which the offering price is determined for Macquarie on each occasion whereby the subscription rights shall be subject to the success in execution of share subscription agreement between the Company and Macquarie as well as the conditions to be specified in such agreement. Subsequently on January 8, 2018, the Company received the proceeds for partial share subscription from Macquarie amounting to approximately Baht 1.7 million (Baht 5.70 per share, comprised the amounts for paid-up share capital of Baht 0.075 million and premium on shares of Baht 1.6 million). The Company registered this issued and paid-up share capital with the Ministry of Commerce on January 9, 2018 and (b) on October 19, 2017 to offer the second lot, not exceeding 30,000,000 shares, to One Asset Management Limited ("ONEAM"), who is local institutional investor. ONEAM shall purchase the Company's newly issued shares on this occasion at Baht 5.58 per share, totalling Baht 167.4 million, which is the price not less than 90% of the volume weighted average price of the Company's shares on the Market for Alternative Investment for the past 7 consecutive business days prior to the date on which the offering price is determined for ONEAM, i.e. October 19, 2017. ONEAM purchased and paid-up for such shares, amounting to Baht 167.4 million, on October 25, 2017 (comprised the amounts for paid-up share capital of Baht 7.5 million and premium on shares of Baht 159.9 million) and will allocate such shares to 22 mutual funds and 8 provident funds which are under their management. The Company registered this issued and paid-up share capital with the Ministry of Commerce on October 30, 2017;
  - (3) Exercise of the ECF-W2 for purchase of the Company's newly issued 194,937,946 common shares; and
  - (4) Exercise of the ECF-W3 for purchase of the Company's newly issued 129,958,631 common shares.

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

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

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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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 (may be subsequently changed regarding adjustment provisions of the warrants)
Exercise period	The warrants shall be exercisable with the first exercise date on November 25, 2017 and other 5 times, i.e. the 25th of February, May, August, November 2018 and the last exercise date is February 20, 2019.
Term of warrants	1 year and 4 months from the date on which the warrants are issued to the shareholders

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

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

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:

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<u>Exercise Date</u>	<u>Number of warrants exercised for purchases of common shares (Unit)</u>	<u>Proceeds from the exercise of warrants (Baht)</u>	<u>Paid-up share capital (Baht)</u>	<u>Premium on shares (Baht)</u>	<u>Number of unexercised warrants</u>	<u>Date of the registered increase in issued and paid-up share capital with the Ministry of Commerce</u>
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

**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	
	2018	2017	2018	2017
Assemblies, raw materials, and supplies used	903,273	944,249	903,273	937,241
Employee expenses	267,054	244,782	263,861	237,756
Depreciation and amortization	77,298	85,137	74,936	81,724
Finance costs	101,238	78,657	97,060	75,626
Advertising and sales promotions	64,712	74,468	64,714	74,248
Freight and transportation charges	50,855	44,390	50,585	42,436
Electricity	36,150	35,019	35,749	34,364
Showroom rental and service charges	27,102	33,494	20,183	21,120
Repair and maintenance expenses	13,247	13,347	13,235	13,263
Bank charges	10,762	12,713	10,120	11,834
Fuels	12,212	11,176	12,212	11,176
Loss (reversal of loss) on diminution in value of inventories	1,179	( 2,703)	1,179	( 2,703)
Changes in finished goods and work-in-process	(182,431)	(223,247)	(189,756)	(225,671)

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**23. INCOME TAX**

Corporate income tax recorded as expense (income) for the years ended December 31, 2018 and 2017 consists of:

	In Thousand Baht			
	Consolidated		The Company Only	
	2018	2017	2018	2017
Income tax computed from accounting profit	8,475	15,184	12,262	16,584
Effects from non-deductible expenses	13,045	12,962	9,038	7,847
Effects from additional deductible expenses or non-taxable income	( 4,641)	( 5,081)	( 4,641)	( 1,605)
Effects from reduction in income tax rate under investment promotion	-	( 5,425)	-	( 5,425)
Current tax on taxable profit	16,879	17,640	16,659	17,401
Decrease (increase) in deferred tax assets	( 800)	302	( 1,020)	315
Decrease in deferred tax liabilities	( 2,870)	( 6,291)	( 2,870)	( 6,291)
Income tax presented in statement of comprehensive income	<u>13,209</u>	<u>11,651</u>	<u>12,769</u>	<u>11,425</u>

As at December 31, 2018, a subsidiary had tax loss carryforward of approximately Baht 74.0 million whereby such loss is able to be used as tax credit during 2019 until 2023.

Deferred tax assets and liabilities presented in statements of financial position as at December 31, 2018 and 2017 consist of:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
<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	847	611	847	611
- Allowance for doubtful accounts	1,091	613	1,091	393
- Allowance for impairment of building and equipment	1,092	1,092	1,092	1,092
- Deferred gain on sales and leaseback	-	3	-	3
- Liability for post-employment benefits	1,358	1,269	1,358	1,269
Total deferred tax assets	<u>4,388</u>	<u>3,588</u>	<u>4,388</u>	<u>3,368</u>
<i>Deferred tax liabilities</i>				
Effects from temporary non-recognized items:				
- Unamortized debenture issuance costs	2,253	23	2,253	23
- Revaluation surplus on land	7,690	7,690	7,690	7,690
- Revaluation surplus on building - net	13,668	15,729	13,668	15,729
- Revaluation surplus on machinery - net	13,726	16,765	13,726	16,765
Total deferred tax liabilities	<u>37,337</u>	<u>40,207</u>	<u>37,337</u>	<u>40,207</u>

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**24. EARNINGS PER SHARE**

**Basic earnings per share**

Basic earnings per share for the years ended December 31, 2018 and 2017 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	
	2018	2017	2018	2017
Profit for the year, attributable to owners of the Company	33,759	70,572	48,540	71,494
Basic weighted average number of outstanding common shares	902,672	668,379	902,672	668,379
Basic earnings per share (Baht)	0.037	0.106	0.054	0.107

**Diluted earnings per share**

Diluted earnings per share for the years ended December 31, 2018 and 2017 are determined by dividing the profit for the year, attributable to owners of the Company, by the weighted average number of common shares outstanding during the year after adjusting the effect from dilutive potential common shares as follows:

	In Thousand Baht / In Thousand Shares			
	Consolidated		Separate Financial Statement	
	2018	2017	2018	2017
Profit for the year attributable to owners of the Company	33,759	70,572	48,540	71,494
Basic weighted average number of outstanding common shares	902,672	668,379	902,672	668,379
Effect from the right under the exercise of warrants	30,192	116,969	30,192	116,969
Diluted weighted average number of outstanding common shares	932,864	785,348	932,864	785,348
Diluted earnings per share (Baht)	0.036	0.090	0.052	0.091

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**25. PAYMENT OF DIVIDENDS**

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 52.0 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.

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

**26. PROMOTIONAL PRIVILEGES UNDER INVESTMENT PROMOTION**

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

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

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

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

	2017 - Consolidated (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	335,594	1,109,029	1,444,623
Other income	68	33,993	34,061
Cost of sales	( 227,562)	( 776,641)	( 1,004,203)
Distribution costs	( 34,654)	( 121,969)	( 156,623)
Administrative expenses (including loss on exchange rate)	( 35,635)	( 144,672)	( 180,307)
Finance costs	( 17,329)	( 61,328)	( 78,657)
Share of profit from investment in associate and joint venture	-	17,026	17,026
Income tax expense	-	( 11,651)	( 11,651)
Profit for the year	20,482	43,787	64,269

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

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

*Information on Products*

	In Thousand Baht	
	Consolidated	
	2018	2017
Net sales		
- Wood furniture and particle boards	1,389,385	1,332,318
- Other products	65,181	112,305
Total	1,454,566	1,444,623
Other income		
- Wood furniture and particle boards	45,116	28,182
- Other products	5,108	22,905
Total	50,224	51,087
Cost of sales		
- Wood furniture and particle boards	966,856	892,700
- Other products	48,133	111,503
Total	1,014,989	1,004,203
Other expenses		
- Wood furniture and particle boards	409,105	369,764
- Other products	38,434	45,823
Total	447,539	415,587



**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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	In Thousand Baht	
	Consolidated	
	2018	2017
Profit (loss) before income tax expense		
- Wood furniture and particle boards	58,540	98,036
- Other products	( 16,278)	( 22,116)
Net	<u>42,262</u>	<u>75,920</u>

Information on Geographic Areas

	In Thousand Baht	
	Consolidated	
	2018	2017
Export sales - net		
- Japan	647,240	668,008
- Philippines	15,062	15,147
- Bahrain	6,686	22,446
- Malaysia	5,733	18,075
- Taiwan	5,538	5,073
- Kuwait	3,453	-
- Hongkong	3,418	-
- Peru	1,873	2,358
- United States of America	737	6,783
- United Arab Emirates	-	7,960
- India	-	5,132
- China	-	2,888
- Other countries	200	941
Total	<u>689,940</u>	<u>754,811</u>
Domestic sales - net	<u>764,626</u>	<u>689,812</u>
Total sales - net	<u>1,454,566</u>	<u>1,444,623</u>

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

Information on Key Customers

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

	Percentage of Balance Attributable to Key Customers to Total Balance	
	Consolidated	
	2018	2017
Net sales		
- Wood furniture and particle boards	34.13	36.99
- Other products	-	-
- Export	43.60	39.02
- Domestic	22.67	28.75
- Total	32.60	34.12

**EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**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 2018 and 2017.

*Liquidity Risk*

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

*Credit Risk*

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

*Foreign Currency Risk*

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

As at December 31, 2018 and 2017, the Company had the outstanding forward exchange contracts (buy and sell) as follows:

	In Thousand			
	Foreign Currency		Fixed Baht	
	2018	2017	2018	2017
Forward exchange contracts - buy				
- U.S. Dollar	32	50	1,038	1,625
Forward exchange contracts - sell				
- U.S. Dollar	-	55	-	1,801

In addition, the fair values of forward exchange contracts (buy and sell) outstanding as at December 31, 2018 and 2017 were as follows:

	In Thousand Baht	
	2018	2017
Forward exchange contract - buy		
- U.S. Dollar	1,035	1,628
Forward exchange contract - sell		
- U.S. Dollar	-	1,790

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The forward exchange contracts (buy and sell) as at December 31, 2018 had maturities in May and June 2019.

As at December 31, 2018 and 2017, significant outstanding non-hedged foreign currency assets and liabilities are as follows:

	Consolidated			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2018	2017	2018	2017
- U.S. Dollar	3,206,038	3,332,181	165,739	188,402

  

	Separate Financial Statement			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2018	2017	2018	2017
- U.S. Dollar	3,206,038	3,332,181	165,739	188,402

*Interest Rate Risk*

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

*Fair Value Measurements*

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

Cash and cash equivalents, current investment, restricted deposits at banks, trade and other receivables, short-term and long-term loan receivables, bank overdrafts, short-term and long-term loan payables, trade and other payables have carrying amounts that did not materially differ from their fair values because these financial assets and liabilities will mature in a short-term period or bear interest at the rates or approximated market rates (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 and finance lease 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 2018 and 2017.

As at December 31, Debt-to-Equity ratio for the consolidated and separate financial statements was 1.35 : 1.00 and 1.29 : 1.00, respectively, in 2018 and 1.71 : 1.00 and 1.66 : 1.00, respectively, in 2017.

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**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 2018 and 2017, amounted to approximately Baht 1.5 million.

**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.

**32. CURRENT INVESTMENT**

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

**33. OTHERS**

As at December 31, 2018;

- a. The Company had commitments on space lease and service agreements for its branch offices and retail shops for sales of its goods with two private companies with term of 3 years whereby the last agreement will end in July 2021. Such commitments are as follows:

	<u>In Million Baht</u>
Due for payments within one year	14.0
Due for payments after one year but not exceeding five year	11.7
Total	<u>25.7</u>

- b. The Company had letters of guarantee issued by three local banks to two private companies and a government agency totalling approximately Baht 29.5 million;
- c. The Company had commitment on construction of fixed asset (building) amounting to approximately Baht 3.0 million (excluding value-added tax);
- d. The Company had commitment on contract for soil filling on its land amounting to approximately Baht 6.6 million (excluding value-added tax);
- e. The Company had commitment on purchase of machinery and equipment amounting to approximately Baht 2.1 million;

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- f. The Company had commitment on construction of the roof-top solar power generating system on its factory buildings amounting to approximately Baht 25.9 million;
- g. The Company had commitment from 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, the Company has partially paid such deposit amounting to Baht 75 million which was presented as part of "Deposits and guarantees" in the consolidated and separate statements of financial position as at December 31, 2018;
- h. A subsidiary had commitment on purchases and installation design of machines totalling approximately USD 13.3 million (approximately Baht 431.6 million);
- i. A subsidiary had commitments on design of factory building and construction project consultancy fee totalling approximately Baht 3.0 million (excluding value-added tax).

**34. EVENTS AFTER THE REPORTING PERIOD**

At the Board of Directors' meeting on January 16, 2019, the Board of Directors passed the resolutions to approve the following significant matters that will be proposed and subject to consideration and approval in the upcoming shareholders' meeting:

- a. Investment by the Company or the Company's subsidiary in Strek (Thailand) Co., Ltd. ("S-TREK") at the percentage of shareholding of not exceeding 51% of the issued and paid-up share capital of S-TREK. S-TREK is engaged in importation and sales of devices, tools and spares for use in computer and telecommunication works. The Company has a plan to twice acquire common shares for such portion from the major shareholder of S-TREK who is a non-related person in total number of 15,300,000 common shares at the price of approximately Baht 33.33 per share, totalling Baht 510 million (the first lot of 6,120,000 shares, amounting to Baht 204 million and the second lot of 9,180,000 shares, amounting to Baht 306 million) whereby the Company shall issue incremental common shares for offering to specific person (Private Placement) for the first lot of 40,800,000 shares at the price of Baht 5 per share that is expected to complete in the first quarter of 2019 and for the second lot of the number of share to be calculated at the price equivalent to market price of share at the subsequent offering period. Such offering shall be made in order to exchange (Share Swap) with the aforesaid investment in S-TREK.
- b. Decrease in authorized share capital of Baht 68,425,178.25 (from previously Baht 354,137,269 to Baht 285,712,090.75) by eliminating the unissued common shares of 273,700,713 at Baht 0.25 par value.
- c. Increase in authorized share capital of Baht 36,950,000 (from previously Baht 285,712,090.75 to Baht 322,662,090.75) that is divided into 147,800,000 common shares at Baht 0.25 par value.
- d. Offering and appropriation of the Company's incremental 40,800,000 common shares at Baht 0.25 par value at the price of Baht 5 per share, totalling Baht 204 million, to specific person (Private Placement) as discussed in "a." above.

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- e. Offering and appropriation of the Company's incremental common shares of not exceeding 95,000,000 shares at Baht 0.25 par value to specific person (Private Placement) under the General Mandate basis.
- f. Appropriation of the Company's incremental 12,000,000 common shares at Baht 0.25 par value to the existing shareholders at the existing shareholding proportion in order to serve the adjustment of rights of the ECF-W3 warrants.
- g. Issuance and offering of debentures at the amount of not exceeding Baht 2,000 million.

At the Board of Directors' meeting on February 27, 2019, the Board of Directors approved the declaration of dividends from the 2018 operations at approximately Baht 0.030227 per share, totalling approximately Baht 29 million, and specified the date for dividend payment on May 3, 2019. Such matter will be proposed for approval in the upcoming shareholders' meeting.

**35. 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, 2019.