

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

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 18 which comprise 4 branches located in Nonthaburi, 2 branches in Bangkok, Pathumthani, Chonburi and Nakhon Ratchasima, and 1 branch in Rayong, Chiangmai, Chachoengsao, Songkhla, Surat Thani and Samut Prakan.

VV-Décor Co., Ltd., 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 12150.

ECF Holdings Co., Ltd., the subsidiary of which shares are held at 51% by the Company, was registered a limited company in Thailand on February 23, 2015 and is engaged as holding company and in retail shops for sundry goods imported from Japan. The registered office of the subsidiary is located at 37/4 Moo 10 Banbung-Klaeng Rd., Tambon Tangkwian, Amphur Klaeng, Rayong 21110 (see Note 9).

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, 2016 and 2015 included the accounts of the Company and its subsidiaries in which the Company has the controlling power or direct / indirect shareholding as follows:

Name of Subsidiaries	Type of Business	Country of Incorporation and Operation	Percentage of Shareholding	
			2016	2015
VV-Décor Co., Ltd.	Sales of laminating papers and furniture- decorating supplies	Thailand	99.95	99.95
ECF Holdings Co., Ltd.	Holding company and retail shops for sundry goods imported from Japan	Thailand	75.00	51.00

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

Starting from January 1, 2016, the Group had adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Interpretation (TSIC), and Thai Financial Reporting Interpretation (TFRIC), revised and newly issued by FAP, which became effective from the accounting period starting on or after January 1, 2016. The aforesaid adoption of new and 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 during 2016 regarding the revision of aforesaid TAS and TFRS as well as TSIC and TFRIC with effective from the accounting period starting on or after January 1, 2017 whereby the Group had not yet adopted in the preparation of the accompanying financial statements and has no policy to early adopt before effective period. Such revised TAS and TFRS as well as TSIC and TFRIC are as follows:

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments : Presentation and Disclosure
TFRS 2 (revised 2016)	Share-based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements

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TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 10 (revised 2016)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 25 (revised 2016)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 “Financial Reporting in Hyperinflationary Economies”
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	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 revised TAS and TFRS as well as TSIC and TFRIC.

The Company and its subsidiaries disclosed information for the year ended December 31, 2015 for being the comparative information in the financial statements for the year ended December 31, 2016 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.

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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.

Foreign entity

Assets and liabilities of foreign entity are translated to Thai Baht at the exchange rates ruling at the end of reporting period (the closing rate).

Revenues and expenses of foreign entity are translated to Thai Baht at the exchange rates ruling at the dates of the transactions.

Differences arising on foreign currency translation or conversion are recognized as other comprehensive income or loss and separately presented as other component of equity until the investment is disposed.

Investment in Associates

Investment in associates in the consolidated financial statements is accounted for using the equity method.

Associates are those companies in which the Company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Company's share of profit or loss of associates, on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of loss exceeds its interest in any associate, the investment in such associate shall be reduced to nil and recognition of further loss shall be ceased except to the extent that the Company has legal or constructive obligations or consents to settle the obligations on behalf of the associate.

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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.

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
- Useful lives and residual values of building and equipment and intangible assets
- Assumptions used in calculation of liability for post-employment benefits
- Expected periods that deferred tax assets will be realized or deferred tax liabilities will be settled
- Fair values and fair value measurements of financial assets, financial liabilities and financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost include cash on hand and cash at financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less and without restriction of use or being collateral and that are subject to a low or an insignificant risk of change in value.

Restricted deposits at bank or being collateral were separately presented as “Restricted deposits at bank” 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.

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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 Company 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.

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.

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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	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 3 years.

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.

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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.

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.

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.

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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, interest cost and past service (if any) 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 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.

Expense Recognition

Expenses are recognized on an accrual basis.

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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 (see Note 28) 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.

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.

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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 (see Notes 23 and 26).

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.

4. TRANSACTIONS WITH RELATED PARTIES

Related parties are those parties controlled by the Company or have power control over the Company, directly or indirectly or significant influence, to govern the financial and operating policies of the Company.

Types of relationship of related parties are as follows:

<u>Name of Companies</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.	Holding company and retailers on sundry goods imported from Japan	Subsidiary
Safe Energy Group (Narathiwat 1) Co., Ltd.	Biomass power plant	Associate (See Note 10)
Safe Energy Group (Yala 1) Co., Ltd.	Biomass power plant	Associate (See Note 10)
Safe Energy Group (Pattani) Co., Ltd.	Biomass power plant	Associate (See Note 10)
Safe Energy Group (Songkhla) Co., Ltd.	Biomass power plant	Associate (See Note 10)
East Cost Design Co., Ltd.	Manufacturing & sales of furniture	Co-directors & co-shareholders
East Coast Industry Co., Ltd.	Sales of furniture	Co-directors & co-shareholders
V-Chat Décor Co., Ltd.	Manufacturing & sales of laminating papers	Co-directors & co-shareholders
V-Chat Industry Co., Ltd.	Manufacturing & sales of dried sawn lumbers	Co-directors & co-shareholders
Index Living Mall Co., Ltd.	Sales of furniture	Directors are spouse
Index Interfurn Co., Ltd.	Manufacturing & sales of furniture	Directors are spouse

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Name of Companies	Type of business	Type of relationship
Khun Wallop Suksawad	-	Shareholder & director (key management)
Khun Varaporn Suksawad	-	Shareholder & director (key management)
Khun Chalee Suksawad	-	Shareholder & director (key management)
Khun Arak Suksawad	-	Shareholder & director (key management)
Khun Tippawan Suksawad	-	Shareholder & director (key management)
General Terdsak Marrome	-	Director (key management)
Khun Montee Socratyanurak	-	Director (key management)
Khun Songklod Jarusombuti	-	Director (key management)

Key management are persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including the Company's director (whether as executive or otherwise).

Pricing policies for transactions with related parties are as follows:

Type of Transaction	Pricing Policies
Sales of products	Prices approximated market prices
Interest income / interest expense	MOR
Space rental income	Mutually agreed price
Purchases of raw materials	Prices approximated market prices
Advertising and sales promotions	Prices approximated market prices
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, 2016 and 2015 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Sales of products				
Subsidiary	-	-	22,892	13,809
Related companies	28,038	28,719	28,038	28,719
Total	28,038	28,719	50,930	42,528
Interest income				
Subsidiary	-	-	110	1,218
Space rental income				
Subsidiary	-	-	8	7
Purchase of raw materials				
Related company	734	1,611	734	1,611
Advertising expense				
Subsidiary	-	-	100	-
Showroom rental and service charges				
Related company	20,714	17,946	20,714	17,946

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	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Decoration costs of showrooms (recorded as other non-current assets)				
Related companies	2,430	2,051	2,430	2,051
Interest expense				
Subsidiary	-	-	78	-
Related parties	-	85	-	-
Total	-	85	78	-
Key management's remunerations				
Short-term benefits	24,779	22,874	24,779	22,874
Post-employment benefits	722	38	722	38
Total	25,501	22,912	25,501	22,912

Significant outstanding balances with related parties as at December 31, 2016 and 2015 are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Trade receivables				
Subsidiary	-	-	7,766	6,050
Related companies	8,089	8,503	8,089	8,503
Total	8,089	8,503	15,855	14,553
Short-term loans and interest receivable				
Interest receivable				
Subsidiary	-	-	-	1,218
Short-term loans				
Subsidiary (Interest rate at 6.3% p.a.)	-	-	-	3,908
Total	-	-	-	5,126
Deposits / guarantees on rental and services for showrooms				
Related company	4,925	4,250	4,925	4,250
Trade payables				
Related company	193	345	193	345
Other payables				
Related companies	1,964	2,040	1,987	2,071
Accrued expenses				
Subsidiary	-	-	23	-
Related companies	1,410	-	1,410	-
Total	1,410	-	1,433	-
Short-term loans and interest payable				
Interest payable				
Related person	-	85	-	-

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Short-term loans				
Related person				
Interest rate at 6.3% p.a.)	-	10,500	-	-
Total	-	10,585	-	-

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

	Separate Financial Statement (In Thousand Baht)			
	December 31, 2015	Increase	Decrease	December 31, 2016
Short-term loans to subsidiary				
ECF Holdings Co., Ltd.	3,908	13,500	17,408	-
Short-term loans from subsidiary				
ECF Holdings Co., Ltd.	-	50,000	50,000	-
	Consolidated (In Thousand Baht)			
	December 31, 2015	Increase	Decrease	December 31, 2016
Short-term loans from related person				
Director	10,500	472	10,972	-

During 2016, the subsidiary, i.e. ECF Holdings Co., Ltd., was (1) granted the short-term promissory note credit facilities amounting to Baht 50 million from a local securities company which bear interest at MLR-1 and (2) short term credit facilities for overdraft, letter of credit and trust receipt, forward exchange contracts and derivatives totalling Baht 105 million from a local bank whereby such credit facilities in (1) and (2) are guaranteed by three directors of the Company.

5. TRADE RECEIVABLES

As at December 31, 2016 and 2015, trade receivables classified by outstanding period are as follows:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
<i>Related companies</i>				
Current	5,075	4,960	10,900	10,650
Not over 3 months	3,001	3,539	4,942	3,899
Over 3 months - 6 months	-	4	-	4
Between 12 months	13	-	13	-
Total	8,089	8,503	15,855	14,553

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
<i>Other companies - net</i>				
Current	157,730	139,259	154,546	136,991
Not over 3 months	31,037	46,882	27,963	45,059
Between 3 months - 6 months	4,107	2,008	3,768	1,456
Between 7 months - 12 months	1,006	1,214	528	998
Between 12 months	3,338	2,362	2,261	1,168
Total	197,218	191,725	189,066	185,672
Less Allowance for doubtful accounts	(2,203)	(2,538)	(1,169)	(1,168)
Net	195,015	189,187	187,897	184,504

As at December 31, 2016 and 2015, the Company discounted, under factoring, its trade receivables amounting to approximately Baht 89.05 million and Baht 63.84 million, respectively, with two local financial institutions (under credit facilities totalling Baht 195 million) whereby such financial institutions can take recourse action on the Company amounting to approximately Baht 60.24 million and Baht 50.78 million, respectively. The Company presented such amounts of obligation under the recourse action as “Factoring payables” in the statements of financial position.

6. Current investment

	Consolidated and Separate Financial Statement (In Thousand Baht)
	2016
Unit trusts of mutual funds - at cost	75,058
Add Unrealized gain on valuation of fair value of investment	254
Total	75,312

7. INVENTORIES - NET

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Finished goods	217,803	171,148	206,581	164,784
Work-in-process	446,296	341,156	446,296	341,156
Raw materials	50,586	35,104	50,586	35,104
Factory supplies	36,191	28,664	36,191	28,664
Inventories in transit	11,678	9,937	11,678	9,937
Total	762,554	586,009	751,332	579,645
Less Allowance for diminution in value	(5,759)	(7,379)	(5,759)	(7,379)
Net	756,795	578,630	745,573	572,266

As at December 31, 2016 and 2015, the written-down amount of cost to net realizable value which was recognized as expense in the statements of comprehensive income for the years ended December 31, 2016 and 2015 amounting to approximately Baht 5.1 million and Baht 9.7 million, respectively.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

8. RESTRICTED DEPOSITS AT BANK

As at December 31, 2016 and 2015, the Company has collateralized its fixed deposits with a local bank amounting to approximately Baht 30 million as guarantees for its short-term packing credit facilities with such bank.

9. INVESTMENT IN SUBSIDIARY ACCOUNTED FOR USING THE COST METHOD

	Separate Financial Statement					
	Authorized and Paid-up Share Capital (In Thousand Baht)		Percentage of Shareholding		Cost of Investment (In Thousand Baht)	
	2016	2015	2016	2015	2016	2015
VV-Decor Co., Ltd.	1,000	1,000	99.95	99.95	1,000	1,000
ECF Holdings Co., Ltd.	10,000	1,000	75.00	51.00	7,500	510
Total					8,500	1,510

During 2016 and 2015, the subsidiaries did not declare any dividends to the shareholders.

At the Board of Directors' meeting on November 11, 2015, the Board of Directors approved the increase in authorized share capital of ECF Holdings Co., Ltd. amounting to Baht 9 million (from previously Baht 1 million to Baht 10 million) and there was change in the Company's percentage of shareholding in such subsidiary from 51% to 75%. Such subsidiary registered this increase in share capital with the Ministry of Commerce on January 28, 2016

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

10. INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates presented in the consolidated statements of financial position as at December 31, 2016 and 2015 has detail as follows:

	Percentage of Shareholding by Subsidiary		In Thousand Baht					
			Authorized and Paid-up Share Capital		Investment Value		Dividends	
	2016	2015	2016	2015	2016	2015	2016	2015
ECF Tornado Energy GK	-	51.00	-	111,948*	-	60,895	20,951	-
Safe Energy Group (Narathiwat 1) Co., Ltd.	25.00	-	20,000	-	4,710	-	-	-
Safe Energy Group (Yala 1) Co., Ltd.	20.00	-	20,000	-	1,025	-	-	-
Safe Energy Group (Pattani) Co., Ltd.	25.00	-	5,000	-	1,282	-	-	-
Safe Energy Group (Songkhla) Co., Ltd.	25.00	-	5,000	-	987	-	-	-
Total investment in associates					<u>8,004</u>	<u>60,895</u>		

*JPY 410,007 thousand

EAST COAST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

During 2016, an associate i.e. ECF Tornado Energy GK sold its core operating assets to a non-related company in Japan and such associate was later liquidated. The associate decreased its share capital and returned in cash to its shareholders which was attributable to ECF Holdings Company Limited of approximately JPY 209.1 million (Baht 69.7 million). In addition, such associate paid cash dividends to the shareholders which was attributable to ECF Holdings Company Limited of approximately JPY 62.1 million (Baht 20.9 million). Other four associates i.e. Safe Energy Group (Narathiwat 1) Co., Ltd., Safe Energy Group (Yala 1) Co., Ltd., Safe Energy Group (Pattani) Co., Ltd., and Safe Energy Group (Songkhla) Co., Ltd. were registered for liquidation in December 2016 and are currently during the liquidation process. These associates continuously decreased their share capital and proportionately returned in cash to the shareholders during 2016.

11. INVESTMENT IN HELD-TO-MATURITY DEBT SECURITIES

This account was investment in the non-marketable subordinated debentures of two local banks with that will mature in 2022 whereby the banks have an option to early redeem these debentures after the period of five years. These debentures annually pay interest at 4.5% p.a. and 4.375% p.a. The Company has intent to hold these debentures until their maturities or, at least, when the banks early redeem the debentures. The Company purchased these debentures in May and December 2012 at cost equivalent to the face value.

As at December 31, 2016 and 2015, fair value of the aforesaid investment for each of the years amounting to approximately Baht 2.0 million, which was the Level 1 input of the fair value hierarchy.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

12. PROPERTY, PLANT AND EQUIPMENT - NET

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	108	-	327	8,883
Building	135,849	-	-	-	135,849
Building improvement	42,882	131	-	121	43,134
Machinery and equipment	316,085	22,121	-	590	338,796
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	10,810	3,197	9	30	14,028
Furniture, fixtures and Showroom equipment	-	1,672	-	1,235	2,907
Vehicle	68,173	9,153	11,752	-	65,574
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	1,055	4,547	-	(2,303)	3,299
Total Cost	686,031	40,929	11,761	-	715,199
Accumulated Depreciation					
Land improvement	6,554	1,342	-	-	7,896
Building	32,739	6,791	-	-	39,530
Building improvement	8,665	2,524	-	-	11,189
Machinery and equipment	219,354	21,118	-	-	240,472
Electric system	1,808	163	-	-	1,971
Furniture, fixtures and office equipment	5,192	2,178	7	-	7,363
Furniture, fixtures and Showroom equipment	-	416	-	-	416
Vehicle	48,270	8,850	11,752	-	45,368
Utilities	2,986	779	-	-	3,765
Total Accumulated Depreciation	325,568	44,161	11,759	-	357,970
Allowance for Impairment					
Buildings and building improvement	-	2,527	-	-	2,527
Machinery and equipment	-	2,932	-	-	2,932
Total Allowance for Impairment	-	5,459	-	-	5,459
Net	360,463				351,770

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	108	-	327	8,883
Building	135,849	-	-	-	135,849
Building improvement	42,882	131	-	121	43,134
Machinery and equipment	316,047	22,067	-	30	338,144
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	10,724	2,563	9	-	13,278
Vehicle	68,173	9,153	11,752	-	65,574
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	30	3,412	-	(478)	2,964
Total Cost	684,882	37,434	11,761	-	710,555
Accumulated Depreciation					
Land improvement	6,554	1,342	-	-	7,896
Building	32,739	6,791	-	-	39,530
Building improvement	8,665	2,524	-	-	11,189
Machinery and equipment	219,353	20,988	-	-	240,341
Electric system	1,808	163	-	-	1,971
Furniture, fixtures and office equipment	5,191	2,031	7	-	7,215
Vehicle	48,270	8,850	11,752	-	45,368
Utilities	2,986	779	-	-	3,765
Total Accumulated Depreciation	325,566	43,468	11,759	-	357,275
Allowance for Impairment					
Buildings and building improvement	-	2,527	-	-	2,527
Machinery and equipment	-	2,932	-	-	2,932
Total Allowance for Impairment	-	5,459	-	-	5,459
Net	359,316				347,821

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	Consolidated (In Thousand Baht)				Balance as at December 31, 2015
	Balance as at January 1, 2015	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	-	-	-	8,448
Building	116,972	-	-	18,877	135,849
Building improvement	39,584	2,721	-	577	42,882
Machinery and equipment	299,736	15,600	-	749	316,085
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	8,373	2,519	82	-	10,810
Vehicle	61,173	7,000	-	-	68,173
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	17,071	4,187	-	(20,203)	1,055
Total Cost	<u>654,086</u>	<u>32,027</u>	<u>82</u>	<u>-</u>	<u>686,031</u>
Accumulated Depreciation					
Land improvement	4,987	1,567	-	-	6,554
Building	26,416	6,323	-	-	32,739
Building improvement	6,172	2,493	-	-	8,665
Machinery and equipment	196,050	23,304	-	-	219,354
Electric system	1,596	212	-	-	1,808
Furniture, fixtures and office equipment	3,604	1,646	58	-	5,192
Vehicle	40,057	8,213	-	-	48,270
Utilities	2,207	779	-	-	2,986
Total Accumulated Depreciation	<u>281,089</u>	<u>44,537</u>	<u>58</u>	<u>-</u>	<u>325,568</u>
Net	<u><u>372,997</u></u>				<u><u>360,463</u></u>

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	Separate Financial Statement (In Thousand Baht)				Balance as at December 31, 2015
	Balance as at January 1, 2015	Movements During the Year			
		Addition	Deduction	Transfer	
Cost					
Land	96,636	-	-	-	96,636
Land improvement	8,448	-	-	-	8,448
Building	116,972	-	-	18,877	135,849
Building improvement	39,584	2,721	-	577	42,882
Machinery and equipment	299,736	15,562	-	749	316,047
Electric system	2,196	-	-	-	2,196
Furniture, fixtures and office equipment	8,373	2,433	82	-	10,724
Vehicle	61,173	7,000	-	-	68,173
Utilities	3,897	-	-	-	3,897
Construction in progress and machinery under installation	17,071	3,162	-	(20,203)	30
Total Cost	654,086	30,878	82	-	684,882
Accumulated Depreciation					
Land improvement	4,987	1,567	-	-	6,554
Building	26,416	6,323	-	-	32,739
Building improvement	6,172	2,493	-	-	8,665
Machinery and equipment	196,050	23,303	-	-	219,353
Electric system	1,596	212	-	-	1,808
Furniture, fixtures and office equipment	3,604	1,645	58	-	5,191
Vehicle	40,057	8,213	-	-	48,270
Utilities	2,207	779	-	-	2,986
Total Accumulated Depreciation	281,089	44,535	58	-	325,566
Net	372,997				359,316

Starting from 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 is used in the appraisal.

Period in which the Company arranged the latest appraisal until the prior year ended for land, building and building improvement, and machinery and equipment are was 2011

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.

The outcome of these reappraisals in 2016 (before the effect of deferred tax liabilities) resulted in the increase (decrease) in revaluation surplus of land, building and building improvement and machinery and equipment as well as impairment loss, and allowance for impairment as follows

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

	Consolidated and Separate Financial Statement (In Thousand Baht)			
	Revaluation from Reappraisals	Accumulated Depreciation	Net	Allowance for Impairment
Land	38,451	-	38,451	-
Building and building improvement	174,486	(107,569)	66,917	(2,527)
Machinery and equipment	227,784	(125,161)	102,623	(2,932)
Total	440,721	(232,730)	207,991	(5,459)

The Company presented the loss on impairment of aforesaid assets as part of administrative expenses for the year ended December 31, 2016.

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, 2016 and 2015 and movements during the years ended December 31, 2016 and 2015 (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, 2016	Movements During the Year			Ending Balance as at December 31, 2016
		Addition	Deduction	Depreciation	
Land	-	38,451	-	-	38,451
Building and building improvement	132,068	67,705	788	(9,603)	189,382
Machinery and equipment	28,807	102,795	172	(11,666)	119,764
Total	160,875	208,951	960	(21,269)	347,597

	Consolidated and Separate Financial Statement (In Thousand Baht)				
	Beginning Balance as at January 1, 2015	Movements During the Year			Ending Balance as at December 31, 2015
		Addition	Deduction	Depreciation	
Land	-	-	-	-	-
Building and building improvement	140,600	-	-	(8,532)	132,068
Machinery and equipment	42,979	-	-	(14,172)	28,807
Total	183,579	-	-	(22,704)	160,875

As at December 31, 2016 and 2015, the Company's land, building and building improvement, machinery and equipment of which carrying amount totalling approximately Baht 290.6 million and Baht 263.0 million, respectively, were used as guarantees for the credit facilities with financial institutions as discussed in Notes 14 and 18.

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

As at December 31, 2016 and 2015, the Company's machinery and equipment and vehicles of which carrying amount totalling approximately Baht 23.5 million and Baht 28.3 million, respectively, were under the obligations and conditions of hire purchase and finance lease agreements as discussed in Note 19.

As at December 31, 2016 and 2015, cost of the Company's plant and equipment which have been fully depreciated but still in use amounting to approximately Baht 184.1 million and Baht 159.8 million, respectively.

Depreciation of plant and equipment for the year 2016 amounted to approximately Baht 65.4 million in the consolidated financial statements and Baht 64.7 million in separate financial statements while for the year 2015 amounted to approximately Baht 67.2 million in the consolidated and 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 21.3 million and Baht 22.7 million, respectively, in the consolidated and separate financial statements.

13. INTANGIBLE ASSETS - NET

	Consolidated (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Depreciation	
Cost	8,228	1,966	-	-	10,194
Accumulated amortization	(5,274)	(1,587)	-	-	(6,861)
Net	2,954	379	-	-	3,333

	Separate Financial Statement (In Thousand Baht)				Ending Balance as at December 31, 2016
	Beginning Balance as at January 1, 2016	Movements During the Year			
		Addition	Deduction	Depreciation	
Cost	8,228	1,002	-	-	9,230
Accumulated amortization	(5,274)	(1,582)	-	-	(6,856)
Net	2,954	(580)	-	-	2,374

	Consolidated and Separate Financial Statements (In Thousand Baht)				Ending Balance as at December 31, 2015
	Beginning Balance as at January 1, 2015	Movements During the Year			
		Addition	Deduction	Depreciation	
Cost	8,215	13	-	-	8,228
Accumulated amortization	(3,797)	(1,477)	-	-	(5,274)
Net	4,418	(1,464)	-	-	2,954

Amortization for each of the years ended December 31, 2016 and 2015 amounted to approximately Baht 1.5 million both in the consolidated and separate financial statement, 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, 2016 and 2015

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

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Bank overdrafts	28,036	15,794	28,036	15,794
Loans under packing credits	103,052	80,563	103,052	80,563
Loans under promissory notes	535,000	440,000	480,000	380,000
Loans under trust receipt agreements	6,785	3,882	6,785	3,882
Total	672,873	540,239	617,873	480,239

As at December 31, 2016 and 2015, the Company had overdraft lines with two local banks totalling Baht 50 million which bear interest at Minimum Overdraft Rate.

As at December 31, 2016 and 2015, 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 Group had promissory note facilities with two local banks and two local securities companies totalling Baht 530 million (totalling Baht 480 million for the Company only) in 2016, and with two local banks and a local securities company totalling Baht 440 million (totalling Baht 380 million for the Company only) in 2015 which bear interest at 1.0% p.a. lower than Minimum Loan Rate.

As at December 31, 2016 and 2015 the Company had trust receipt facilities with two local banks totalling Baht 18 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 land and fixed deposits of the Company's two directors, the Company's fixed deposits as discussed in Note 8, and the Company's land, buildings, and machinery and equipment as discussed in Note 12.

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Other payables	19,306	17,158	18,095	10,928
Accrued advertising and sales promotion expenses	14,151	11,898	14,133	11,836
Accrued salary, wage, and welfares	8,186	8,436	8,180	8,431
Advances from customers	5,464	4,247	5,464	4,247
Accrued electricity	3,265	3,529	3,184	3,529
Accrued interest	3,288	633	3,281	633
Others	8,613	6,076	8,120	5,521
Total	62,273	51,977	60,457	45,125

EAST COST FURNITECH PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

16. DEBENTURES

	Consolidated and Separate Financial Statements (In Thousand Baht)	
	2016	2015
Debentures	500,000	-
Less Deferred direct transaction costs on debenture issuance	(1,690)	-
Net	498,310	-

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 will mature for redemption on February 26, 2018.

The abovementioned debentures have significant undertakings and conditions which include maintaining Debt-to-Equity ratio at the rate not exceeding 4:1.

Direct transaction costs on debenture issuance were debenture issuances 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, 2016, such debentures had fair values of approximately Baht 500.1 million, which is the Level 1 input of the fair value hierarchy.

17. LIABILITY FOR POST-EMPLOYMENT BENEFITS

Movements of liability for post-employment benefits for the years ended December 31, 2016 and 2015 are as follows:

	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2016	2015
Liability for post-employment benefits as at January 1	3,380	3,281
Current service cost	485	70
Interest cost	165	29
Expense recognized as profit or loss in statement of comprehensive income	650	99
Actuarial gain on measurement	1,890	-
Expense recognized in statement of comprehensive income	2,540	99
Employee benefit paid during the period	-	-
Liability for post-employment benefits as at December 31	5,920	3,380

Significant assumptions used in the calculation of liability for post-employment benefits as at December 31, 2016 and 2015 are as follows:

- Discount rate 2.87% p.a. in 2016 and 4.75% p.a. in 2015
- Salary escalation rate 6.43% p.a. in 2016 and 6.15% p.a. in 2015
- Employee turnover rate 11% - 48% p.a. in 2016 and 17% - 39% p.a. in 2015

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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%)	(170)	183
Salary escalation rate (increase/decrease by 0.5%)	190	(178)
Employee turnover rate (increase/decrease by 1%)	(414)	486

18. LONG-TERM BORROWINGS

Long-term borrowings from three local banks in 2016 and 2015 comprised of:

	Consolidated (In Thousand Baht)	
	2016	2015
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	42,522	65,534
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	31,311	48,423
3) Loans under facilities amount of Baht 30 million, repayable monthly until December 2017, bear interest at 1.25% p.a. lower than Minimum Loan Rate	9,560	19,665
4) 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	22,082	32,389
5) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	8,610	11,758
6) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	16,440	-
7) Loans under facilities amount of Baht 40 million, repayable monthly until March 2021, bear interest at Minimum Loan Rate	13,150	-
8) Loans under facilities amount of Baht 10 million, repayable monthly until March 2021, bear interest at Minimum Loan Rate	9,469	-
Total	153,144	177,769
Less Current portion	(85,976)	(63,407)
Net	67,168	114,362

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	Separate Financial Statement (In Thousand Baht)	
	2016	2015
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	42,522	65,534
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	31,311	48,423
3) Loans under facilities amount of Baht 30 million, repayable monthly until December 2017, bear interest at 1.25% p.a. lower than Minimum Loan Rate	9,560	19,665
4) 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	22,082	32,389
5) Loans under facilities amount of Baht 19 million, repayable monthly until September 2020, bear interest at Minimum Loan Rate	8,610	11,758
6) Loans under facilities amount of Baht 40 million, repayable monthly until September 2022, bear interest at Minimum Loan Rate	16,440	-
Total	130,525	177,769
Less Current portion	(72,777)	(63,407)
Net	57,748	114,362

The above loans have guarantees as discussed in Notes 12. In addition, the Company 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.

19. LIABILITIES UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

	In Thousand Baht	
	2016	2015
Liabilities under hire purchase and finance lease agreements		
- Due for payments within one year	11,321	12,320
- Due for payments between 2-5 years	4,070	11,660
Total	15,391	23,980
Less Deferred interest	(585)	(1,448)
Liabilities under hire purchase and finance lease agreements - net of deferred interest	14,806	22,532
Less Current portion	(10,832)	(11,334)
Net	3,974	11,198

Amortized interest, which was presented as part of “Finance costs” in the statements of comprehensive income for the years 2016 and 2015, amounted to approximately Baht 1.1 million and Baht 1.5 million, respectively.

During the years 2011 to 2016, the Company entered into hire purchase agreements for its vehicles with five local banks and four private companies for the periods of 24 to 60 months whereby such hire purchase agreements will end during the years 2016 to 2019.

During the years 2012 to 2014, the Company entered into sales and finance leaseback agreements of machinery and equipment with a local leasing company for a period of 36 to 48 months.

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	Consolidated and Separate Financial Statement (In Thousand Baht)	
	2016	2015
Deferred gain on sales and finance leaseback	271	271
Less Cumulative recognized amount	(191)	(141)
Net	80	130

Gain on sales and finance leaseback which was recognized as part of “Other income” for the years 2016 and 2015 amounted to approximately Baht 51 thousand and Baht 84 thousand, respectively.

20. SHARE CAPITAL, PREMIUM ON SHARES AND WARRANTS

	Par Value (In Baht)	In Thousand Shares / In Thousand Baht			
		2016		2015	
		No. of Share	At Par Value	No. of Share	At Par Value
Authorized share capital					
As at December 31					
- Common shares	0.25	780,000	195,000	780,000	195,000
Issued and paid-up shares as at January 1	0.25				
- Common shares		550,191	137,548	520,000	130,000
Exercise of warrants		18,635	4,659	30,191	7,548
As at December 31					
- Common shares	0.25	568,826	142,207	550,191	137,548

At the extraordinary shareholders’ meeting on July 18, 2014, the shareholders unanimously approved the Company to increase its authorized share capital from Baht 130 million (divided into 520,000,000 common shares at Baht 0.25 par value) to Baht 195 million (divided into 780,000,000 common shares at Baht 0.25 par value) by registration of new 260,000,000 common shares at Baht 0.25 par value, amounting to Baht 65 million, which are reserved for the exercise of warrants issued to the existing shareholders. The Company registered this increase in authorized share capital with the Ministry of Commerce on August 8, 2014.

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.

Warrants

The Company issued and offered 259,868,446 units of free warrants (“ECF-W1”) to existing shareholders on July 30, 2014 for the purchase of incremental shares on the basis of 2 common shares for 1 unit of warrant. Terms of the warrants are as follows:

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Exercise ratio	1 unit of warrant to purchase 1 incremental common share
Exercise price per share	Baht 0.50 per share (may be subsequently changed regarding the adjustment provisions of the warrants)
Exercise period	The warrants shall be exercisable after 1 year from the date of issuance of the warrants. The exercise schedules shall be the last business days of May and November of each year until the end the 3 rd year after issuance whereby the first exercise date is November 30, 2015 and the last exercise date is July 29, 2017.
Term of warrants	3 years from the date on which the warrants are issued to the shareholders

On August 15, 2014, the Stock Exchange of Thailand has granted the Company's 259,868,446 units of warrants as listed securities and has permitted such warrants to be traded on the Market for Alternative Investment since August 18, 2014.

On November 30, 2015, warrants of 30,190,600 units were exercised for purchases of 30,190,600 common shares. Proceeds from the exercise of warrants amounted to Baht 15,095,300 (comprised the amounts for paid-up share capital of Baht 7,547,650 and premium on shares of Baht 7,547,650). The Company registered the increase in issued and paid-up share capital with the Ministry of Commerce on December 9, 2015. The remaining number of unexercised warrants was 229,677,846 units.

On May 31, 2016 and November 30, 2016, total warrants of 18,635,450 units were exercised for purchases of 18,635,450 common shares. Proceeds from the exercise of warrants amounted to Baht 9,317,725 (comprised the amounts for paid-up share capital of Baht 4,658,863 and premium on shares of Baht 4,658,863). The Company registered the increase in issued and paid-up share capital with the Ministry of Commerce on June 13, 2016 and December 9, 2016. The remaining number of unexercised warrants was 211,042,396 units.

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.

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22. EXPENSES BY NATURE

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
Assemblies , raw materials, and supplies used	864,705	855,177	854,035	850,120
Employee expenses	239,887	222,056	233,261	219,756
Depreciation and amortization	71,458	69,450	68,695	69,382
Advertising and sales promotions	82,240	65,983	78,542	65,538
Finance costs	53,906	38,735	47,811	36,547
Electricity	35,392	36,194	36,620	36,194
Freight and transportation charges	37,667	35,711	34,438	34,211
Showroom rental and service charges	31,179	18,544	21,849	18,017
Repair and maintenance expenses	18,930	17,824	18,548	17,824
Fuels	9,805	10,140	9,805	10,140
Bank charges	9,928	5,893	9,005	5,893
Loss (reversal of loss) on diminution in value of inventories	(1,621)	(5,381)	(1,621)	(5,381)
Changes in finished goods and work-in-process	(151,051)	(138,113)	(146,905)	(131,749)

23. INCOME TAX

Corporate income tax recorded as expense for the years ended December 31, 2016 and 2015 consists of:

	In Thousand Baht			
	Consolidated		The Company Only	
	2016	2015	2016	2015
Income tax computed from accounting profit	15,274	16,832	13,200	18,914
Effects from non-deductible expenses	6,320	6,764	6,160	4,067
Effects from benefit of tax loss carryforward	4,639	-	-	-
Effects from additional deductible expenses or non-taxable income	(9,400)	(4,047)	(2,529)	(3,432)
Effects from reduction in income tax rate under investment promotion	(4,839)	(5,089)	(4,839)	(5,089)
Current tax on taxable profit	11,994	14,460	11,992	14,460
Adjustment to tax payable in respect of previous periods	-	38	-	38
Decrease (increase) in deferred tax assets	(819)	984	(886)	975
Decrease in deferred tax liabilities	(466)	(1,496)	(466)	(1,496)
Income tax presented in statement of comprehensive income	<u>10,709</u>	<u>13,986</u>	<u>10,640</u>	<u>13,977</u>
Decrease in deferred tax assets attributable to other comprehensive income	<u>-</u>	<u>-</u>	<u>(378)</u>	<u>-</u>
Increase in deferred tax liabilities from reappraisals of fixed assets	<u>41,598</u>	<u>-</u>	<u>41,598</u>	<u>-</u>

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As at December 31, 2016, a subsidiary had tax loss carry forward of approximately Baht 0.5 million whereby such loss carry forward is able to be used as tax credit until 2020.

Deferred tax assets and liabilities presented in statements of financial position as at December 31, 2016 and 2015 consist of:

	In Thousand Baht			
	Consolidated		Separate Financial Statement	
	2016	2015	2016	2015
<i>Deferred tax assets</i>				
Effects from temporary non-deductible items or item not yet recognized in accounting				
- Allowance for diminution in value of inventories	1,152	1,476	1,152	1,476
- Allowance for doubtful accounts	824	515	617	240
- Allowance for impairment of building and equipment	1,092	-	1,092	-
- Deferred gain on sales and leaseback	16	26	16	26
- Liability for post-employment benefits	806	676	806	676
Total deferred tax assets	<u>3,890</u>	<u>2,693</u>	<u>3,683</u>	<u>2,418</u>
<i>Deferred tax liabilities</i>				
Effects from temporary non-recognized items:				
- Unamortized debenture issuances costs	338	-	338	-
- Revaluation surplus on land	7,690	4,877	7,690	4,877
- Revaluation surplus on building - net	17,945	-	17,945	-
- Revaluation surplus on machinery - net	20,525	488	20,525	488
Total deferred tax liabilities	<u>46,498</u>	<u>5,365</u>	<u>46,498</u>	<u>5,365</u>

24. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share for the years ended December 31, 2016 and 2015 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	
	2016	2015	2016	2015
Profit for the year, attributable to owners of the Company	<u>62,440</u>	<u>75,426</u>	<u>55,361</u>	<u>80,593</u>
Basic weighted average number of outstanding common shares	<u>559,258</u>	<u>522,647</u>	<u>559,258</u>	<u>522,647</u>
Basic earnings per share (Baht)	<u>0.112</u>	<u>0.144</u>	<u>0.099</u>	<u>0.154</u>

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Diluted earnings per share

Diluted earnings per share for the years ended December 31, 2016 and 2015 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	
	2016	2015	2016	2015
Profit for the year attributable to owners of the Company	62,440	75,426	55,361	80,593
Basic weighted average number of outstanding common shares	559,258	522,647	559,258	522,647
Effect from the right under the exercise of warrants	30,410	24,434	30,410	24,434
Diluted weighted average number of outstanding common shares	589,668	547,081	589,668	547,081
Diluted earnings per share (Baht)	0.106	0.138	0.094	0.147

25. PAYMENT OF DIVIDENDS AND APPROPRIATION FOR LEGAL RESERVE

At the general shareholders' meeting held on April 8, 2016, the shareholders unanimously approved the Company to pay dividends for the 2015 operations to the shareholders at Baht 0.0586 per share totalling approximately Baht 32.24 million whereby such dividends will be paid from the promoted activities and non-promoted activities amounting to Baht 0.0153 per share and Baht 0.0433 per share, respectively. The Company paid such dividends to the shareholders on May 6, 2016.

At the general shareholders' meeting held on April 16, 2015, the shareholders unanimously approved the Company to pay dividends for the 2014 operations to the shareholders at Baht 0.069 per share totalling approximately Baht 35.88 million whereby such dividends will be paid from the promoted activities and non-promoted activities amounting to Baht 0.069 per share and Baht 0.0621 per share, respectively. The Company paid such dividends to the shareholders on May 12, 2015.

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:

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- (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, 2016 and 2015 are as follows:

	2016 - Consolidated (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	396,490	974,290	1,370,780
Other income (including unrealized gain on valuation of fair value of derivatives and gain on exchange rate)	1,216	22,912	24,128
Cost of sales	(281,761)	(701,504)	(983,265)
Selling expenses	(41,720)	(117,154)	(158,874)
Administrative expenses	(42,008)	(113,447)	(155,455)
Finance costs	(14,063)	(40,367)	(54,430)
Share of profit from investment in associates	-	32,832	32,832
Income tax expense	-	(10,709)	(10,709)
Profit for the year	<u>18,154</u>	<u>46,853</u>	<u>65,007</u>

	2015 - Consolidated (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	364,490	969,607	1,334,097
Other income (including unrealized gain on valuation of fair value of derivatives and gain on exchange rate)	5,636	18,568	24,204
Cost of sales	(266,013)	(715,728)	(981,741)
Selling expenses	(36,084)	(98,083)	(134,167)
Administrative expenses	(30,551)	(88,102)	(118,653)
Finance costs	(9,826)	(28,909)	(38,735)
Share of loss from investment in associates	-	(845)	(845)
Income tax expense	-	(13,986)	(13,986)
Profit for the year	<u>27,652</u>	<u>42,522</u>	<u>70,174</u>

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	2016 - Separate Financial Statement (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	396,490	957,923	1,354,413
Other income (including unrealized gain on valuation of fair value of derivatives and gain on exchange rate)	1,216	22,376	23,592
Cost of sales	(281,761)	(693,197)	(974,958)
Selling expenses	(41,720)	(102,578)	(144,298)
Administrative expenses	(42,008)	(101,866)	(143,874)
Finance costs	(14,063)	(34,811)	(48,874)
Income tax expense	-	(10,640)	(10,640)
Profit for the year	18,154	37,207	55,361

	2015 - Separate Financial Statement (In Thousand Baht)		
	Promoted Business	Non-Promoted Business	Total
Net sales	364,490	968,789	1,333,279
Other income (including unrealized gain on valuation of fair value of derivatives and gain on exchange rate)	5,636	19,669	25,305
Cost of sales	(266,013)	(715,859)	(981,872)
Selling expenses	(36,084)	(96,644)	(132,728)
Administrative expenses	(30,551)	(82,316)	(112,867)
Finance costs	(9,826)	(26,721)	(36,547)
Income tax expense	-	(13,977)	(13,977)
Profit for the year	27,652	52,941	80,593

27. SIGNIFICANT FINANCIAL INFORMATION CLASSIFIED BY OPERATING SEGMENT

Sales, other income, cost of sales, other expenses, and profit / loss before income tax expense are significant financial and core information of the Company and its subsidiaries that are provided regularly to the highest authority in decision-making operation and also used in evaluation of financial performances of the segments. The Company and its subsidiaries have two significant operating segments (identified by internal reporting segments), i.e. (1) wood furniture and particle boards (rubber wood furniture and particle board furniture) and (2) other segments, e.g. laminating papers, dried sawn lumbers, furniture-decorating supplies and retail shops for sundry goods imported from Japan, which has just been started with 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 Company and its subsidiaries are similar to those accounting policies discussed in Note 3. In addition, the Company and its subsidiaries are unable to apportion the segment information for assets and liabilities without incurring the excessive costs.

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Information on Products

	In Thousand Baht	
	Consolidated	
	2016	2015
Net sales		
- Wood furniture and particle boards	1,273,723	1,249,557
- Other products	97,057	84,540
Total	<u>1,370,780</u>	<u>1,334,097</u>
Other income (including unrealized gain/loss on valuation of fair value of derivatives and gain/loss on exchange rate)		
- Wood furniture and particle boards	20,857	22,573
- Other products	3,271	1,631
Total	<u>24,128</u>	<u>24,204</u>
Cost of sales		
- Wood furniture and particle boards	885,366	894,270
- Other products	97,899	87,471
Total	<u>983,265</u>	<u>981,741</u>
Other expenses		
- Wood furniture and particle boards	328,143	271,938
- Other products	7,784	20,462
Total	<u>335,927</u>	<u>292,400</u>
Profit (loss) before income tax expense		
- Wood furniture and particle boards	81,071	105,922
- Other products	(5,355)	(21,762)
Net	<u>75,716</u>	<u>84,160</u>

Information on Geographic Areas

	In Thousand Baht	
	Consolidated	
	2016	2015
Export sales - net		
- Japan	682,337	660,335
- Bahrain	38,475	69,658
- India	12,229	5,502
- United States of America	7,932	12,857
- Taiwan	7,453	9,817
- Philippine	7,106	6,836
- China	5,382	3,455
- Singapore	2,120	3,303
- Peru	3,968	4,805
- Malaysia	1,515	4,525
- Indonesia	-	5,943
- Other countries	7,900	666
Total	<u>776,417</u>	<u>787,702</u>
Domestic sales - net	<u>594,363</u>	<u>546,395</u>
Total sales - net	<u>1,370,780</u>	<u>1,334,097</u>

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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	
	2016	2015
Net sales		
- Wood furniture and particle boards	56.76	53.31
- Other products	-	-
- Export	60.93	55.13
- Domestic	51.39	51.03
- Total	56.79	53.44

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 2016 and 2015.

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 (see Note 31).

As at December 31, 2016 and 2015, significant outstanding non-hedged foreign currency assets and liabilities are as follows:

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	Consolidated			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2016	2015	2016	2015
U.S. Dollar	1,605,025	-	218,575	-
Euro	-	-	51,100	-

	Separate Financial Statement			
	Foreign Currency Assets		Foreign Currency Liabilities	
	2016	2015	2016	2015
U.S. Dollar	1,579,481	1,719,000	218,575	141,000
Euro	-	-	51,100	-

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, loan receivables, bank overdrafts and both short-term and long-term loans 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, restricted deposits at bank, trade and other receivables, loan receivables, bank overdrafts, 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.

Current investment is stated at fair value. Investment in held-to-maturity debt securities and debentures are stated at amortized cost of which the carrying amounts approximate their fair values.

Investment in subsidiaries and associates as well as liabilities under hire purchase and finance lease agreements are not practicable to be estimated the proper fair value without incurring the excessive 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 2016 and 2015.

As at December 31, Debt-to-Equity ratio for the consolidated and separate financial statements was 2.58 : 1.00 and 2.46 : 1.00, respectively, in 2016 and 2.32 : 1.00 and 2.12 : 1.00 in 2015.

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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 to operations for the years 2016 and 2015, amounted to approximately Baht 1.5 million and Baht 1.1million, respectively.

31. OTHERS

As at December 31, 2016;

- a. The Group has commitments on space lease and service agreements for its branch offices and retail shops for sundry goods with the term of 3 years whereby the last agreement will end in January 2019. Such commitments are as follows:

	<u>In Million Baht</u>
Due for payments within one year	30.3
Due for payments between 2-5 years	25.5
Total	<u>55.8</u>

- b. The Company has letters of guarantee issued by three local banks to two private companies and a government agency totalling approximately Baht 29.3 million;
- c. The Company has unused letters of credit with a local bank amounting to approximately Baht 5.0 million;
- d. The Company has commitment on construction of office building amounting to approximately Baht 23.5 million;
- e. The Company has the outstanding forward exchange contracts (buy and sell) as follows:

	<u>In Thousand</u>	
	<u>Foreign Currency</u>	<u>Fixed Baht</u>
Forward exchange contracts - buy		
- U.S. Dollar	106	3,766
Forward exchange contracts - sell		
- U.S. Dollar	81	2,898

In addition, the fair values of forward exchange contracts outstanding as at December 31, 2016 are as follows:

	<u>In Thousand Baht</u>
Forward exchange contracts - buy	
- U.S. Dollar	3,798
Forward exchange contracts - sell	
- U.S. Dollar	2,902

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The forward exchange contracts (buy and sell) as at December 31, 2016 had maturities in April and June 2017.

- f. The Company has commitment on payment of guarantee amounting to Baht 50.0 million for the feasibility study project of investment in an entity that operates solar power plant whereby total amount of guarantee under this project amounted to Baht 100.0 million which was partially paid by the Company to the major shareholders of such entity of Baht 50.0 million. Such paid amount was presented as part of “Deposits and guarantees” in the consolidated and separate statements of financial position as at December 31, 2016. In case the outcome of such study is not satisfied, the paid guarantee shall be entirely refunded to the Company.

32. EVENTS AFTER THE REPORTING PERIOD

On January 12, 2017, the Board of Directors passed the resolution to approve the establishment of an additional subsidiary i.e. ECF Power Company Limited (“ECF-P”) in order to engage as investment company in other entities doing the energy business e.g. biomass power or solar power. ECF-P was incorporated on January 16, 2017 with share capital of Baht 1 million (divided into 100,000 common shares, Baht 10 par value) whereby the Company has a percentage of shareholding in ECF-P of 99.99% whereas the rest is held by five shareholders and directors of the Company. Registered address of ECF-P is located at Amphur Klaeng, Rayong province. In addition, for more clearance in business direction, the Board of Directors also approved the business operating policy between ECF-P and other subsidiary, i.e. ECF Holdings Company Limited (“ECF-H”), whereby ECF-P is coded to engage in energy business whereas ECF-H is coded to engage in retail shops of sundry goods imported from abroad or other businesses that may occur in the future except those relating to energy business. Subsequently on February 7, 2017, Safe Energy Holdings Company Limited (“SAFE”) was established with initial share capital of Baht 1 million as the joint company between the Group and other non-related group of companies. ECF-P has the percentage of shareholding in SAFE of 49.98% while 0.02% is held by two directors of the Company, totalling 50%. SAFE is engaged as investment company in the entity doing the biomass power plant located at Amphur Waeng, Narathiwat province (i.e. Prize of Wood Green Energy Company Limited) (“PWGE”) whereby this investment was approved by the Board of Directors on February 13, 2017. SAFE is going to have the changes in shareholder structure with the major shareholders of PWGE whereby after the changes ECF-P shall have percentage of shareholding in SAFE of 33.37% and the rest shall be held by other group of companies of 33.37% and major shareholders of PWGE of 33.26%. Then SAFE will invest in PWGE at the percentage of shareholding of 99.99% and PWGE will accordingly be subsidiary of SAFE. Then SAFE will increase its share capital by Baht 425 million to be of Baht 426 million in order to support the investment project in PWGE whereby the portion attributable to ECF-P for investment in SAFE amounted to approximately Baht 141.7 million. ECF-P, as the Company’s subsidiary, shall have to increase its share capital by the aforesaid amount in the foreseeable future.

33. 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 28, 2017.