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No. ECF2 038/2020

16 November 2020

Subject: Management Discussion and Analysis of the 3rd quarter and 9-month period ended 30 September 2020

To President
The Stock Exchange of Thailand

East Coast Furnitech Public Company Limited (“the Company”) would like to report on Management Discussion and Analysis from the Separate and Consolidated Financial Statements of the 3rd quarter and 9-month period ended 30 September 2020. The details are as follows.

Operating Performance

1. Revenues

Unit: Million Baht

The 3 rd quarter of the Year 2020 comparing to 2019	Consolidated				Separate			
	Amount		Change		Amount		Change	
	Q3.2020	Q3.2019	Amount	%	Q3.2020	Q3.2019	Amount	%
Revenue from sale – net	399.89	320.12	79.78	24.92%	392.11	319.50	72.60	22.72%
Others income	4.70	6.87	-2.18	-31.64%	6.13	5.96	0.17	2.84%
Profit (loss) from exchange rate	1.81	0.66	1.15	175.88%	1.81	0.66	1.16	176.37%
Total Revenue	406.40	327.64	78.75	24.04%	400.05	326.12	73.93	22.67%
Sharing of gain (loss) from investment value of the associate and joint venture	11.55	0.83	10.72	1292.88%				

In the furniture business, the Company's revenue from sales - net for the 3rd quarter of 2020 compared to the same period last year increased by 22.72 percent for the separate financial statements, and the revenue from sales – net increased by 24.92 percent for the consolidated financial statements. This was caused by the late of 2nd quarter; the Company has begun to resume the receiving of the orders for furniture from overseas customers even under the situation of the Coronavirus outbreak (COVID-19) especially the increase of orders from the customer groups of India, China and the U.S. have significantly increased.

Unit: Million Baht

The 9-month period for the Year 2020 comparing to 2019	Consolidated				Separate			
	Amount		Change		Amount		Change	
	9M.2020	9M.2019	Amount	%	9M.2020	9M.2019	Amount	%
Revenue from sale – net	972.04	959.00	13.04	1.36%	957.51	956.51	1.00	0.10%
Others income	18.78	32.94	-14.16	-42.98%	20.61	28.66	-8.05	-28.09%
Profit (loss) from exchange rate	3.26	-0.00	3.26	N.A.	3.27	0.07	3.20	4642.03%
Total Revenue	994.08	991.94	2.14	0.22%	981.39	985.24	-3.85	-0.39%
Profit from the sale of claims on accounts receivable and brand rights	18.80	0.00	18.80	N.A.				
Sharing of gain (loss) from investment value of the associate and joint venture	31.97	1.92	30.06	1567.05%				

For the 9-month period of 2020, for furniture business the Company revenue from sales – net was approximate to the same period last year by slightly increased by 0.10 percent whereas the total revenue was in line with by slightly decreased by 0.38 percent even under the Coronavirus Outbreak (COVID-19), which resulted in the company had income from the export and domestic sales revenue decreased by approximately 18 percent since the 1st quarter. However, the Company still could generate sales revenue for the 9-month period of 2020 approximate to the same period last year.

For other incomes, in the same period last year, the company had a profit from the sale of assets equal to Baht 6.54 million, whereas in the 9-month period of 2020 there was no such profit.

Currently, the Company has the proportion between export sales and domestic sales accounting for 66 percent and 34 percent of total revenue-sales, respectively.

The sharing of gain from investment value of the associates and joint venture for the 9-month period of 2020 was profit Baht 31.97 million increased from the same period last year that had the amount of Baht 1.92 million, this caused from the realization of gain from investment in Green Earth Power (Thailand) Company Limited (GEP) that is the investor of solar power plant project with the installed capacity of 220 MW at Minbu District, Myanmar that ECF Power Company Limited (ECF-P) as the Company's subsidiary holds 20 percent of total shares of GEP. At present, the project has operated commercially for the 1st phase with an installed capacity of 50MW since 27 September 2019. Currently, the project has been commencing the 2nd phase and will accelerate the construction for the remaining phases until completed all 4 phases.

2. Cost of goods sold and expenses: Consolidated

Unit: Million Baht

The 3 rd quarter of the Year 2020 comparing to 2019	Consolidated						Separate	
	Amount		Change		Compared to total income		Amount	
	Q3.2020	Q3.2019	Amount	%	Q3.2020	Q3.2019	Q3.2020	Q3.2019
Cost of goods sold	312.29	222.51	89.78	40.35%	76.84%	67.91%	308.59	222.27
Cost of sales	16.29	18.60	-2.31	-12.40%	4.01%	5.68%		
Administrative expenses	33.46	37.69	-4.23	-11.22%	8.23%	11.50%		
Add back of other expense	-4.80	0.00	-4.80	N.A	-1.18%	0.00%		
Financial cost	36.91	30.93	5.98	19.33%				
Corporate income tax	2.33	3.71	-1.38	-37.14%				
Total cost and expenses	396.48	313.43	83.04	26.49%				

For the overview of cost and expenses that happened in the 3rd quarter of 2020, the Company had the cost of goods sold increasing significantly from the improvement of work in process products holding for a long time to be the finished goods in order to be able to sell efficiently again. This resulted in an increase in the labor cost and raw materials since the 2nd quarter of this year. Even though this resulted in the Company had the production cost and the cost of goods sold increased, but this policy would finally help enhance the liquidity and cash flow to the Company. In addition, the group of particle-board and MDF suppliers has adjusted the prices of particle-board and MDF increasing by 7 – 10 percent depending on each product whereby particle-board and MDF are the main raw materials for furniture business. In this regard, the Company prepares to provide the way of reduction for cost and expenses of the production by adding the more productive machines to the production process in order to reduce the cost of labor the compensate the other additional costs instead.

In this regard, the cost of sales and administrative expenses compared to the total revenue have continuously decreased when comparing to the same period last year. For the financial cost which increased, this caused by the Company has recently issued and offered the debentures in June this year in the amount of Baht 581.10 million with the interest rate at 7.25 percent per annum.

The 9-month period of the Year 2020 comparing to 2019	Consolidated						Separate	
	Amount		Change		Compared to total income		Amount	
	9M.2020	9M.2019	Amount	%	9M.2020	9M.2019	9M.2020	9M.2019
Cost of goods sold	748.67	671.13	77.54	11.55%	75.31%	67.66%	744.90	669.41
Cost of sales	46.05	60.48	-14.42	-23.85%	4.63%	6.10%		
Administrative expenses	97.99	124.58	-26.60	-21.35%	9.86%	12.56%		
Other expense	18.13	0.00	18.13	N.A	1.82%	0.00%		
Financial cost	98.86	84.01	14.85	17.67%				
Corporate income tax	6.80	10.80	-3.99	-36.98%				

Total cost and expenses	1,016.50	951.00	65.50	6.89%
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The overview of the cost and expenses of the 9-month period of 2020, the Company had the cost of goods sold increasing significantly as above-mentioned, whereas the Company has managed efficiently for the cost of sales and administrative expenses by continuously decreasing from the same period last year from the change of strategy of the distribution channels in order to decrease cost and expenses from the past that the Company had ELEGA showrooms which currently been closed all including the new adjustment of business plan for the product distribution of the retail shops and wholesales shops nationwide.

The financial cost has been increasing not only the issuance and offering of the debentures since June this year with the interest of 7.25 percent per annum but also the increase of outstanding of the overdrafts and short-term loans in the amount of Baht 805 million as of 30 September 2020 compared to Baht 720 million as of 31 December 2019. The amount of outstanding of the overdrafts and short-term loans have interest rates between 5.5 percent to 7 percent per annum. This caused not only for the objective to enhance the liquidity of furniture business but also for the obligation of the Company to inject equity portion for a solar power plant in Minbu district, Myanmar so as to be aligned with the conditions that determined by the prospect lenders of the solar power plant project about the equity injection according to the term sheet for the loan.

However, the Company well realizes the problem of high financial cost at present the Company is considering the solution to reduce the financial cost happening by expecting to see a result since the 1st quarter next year onwards.

3. Profit for the period

Unit: Million Baht

The 9-month period of the Year 2020 comparing to 2019	Consolidated				Separate			
	Amount		Change		Amount		Change	
	9M.2020	9M.2019	Amount	%	9M.2020	9M.2019	Amount	%
Gross Profit	223.37	287.87	-64.50	-22.41%	212.61	287.10	-74.49	-25.95%
Profit (Owners of the parent)	37.20	43.26	-6.06	-14.00%	21.50	44.20	-22.70	-51.36%
Profit for the period	28.36	42.86	-14.51	-33.84%				
Total Comprehensive Income for the Period	31.29	40.17	-8.88	-22.10%				
Profit ratio for the period to total revenue (%)	2.85%	4.32%						
Profit ratio for the period (Owners of the parent) to total revenue (%)	3.74%	4.36%						
Total comprehensive income ratio for the period to total revenue (%)	3.15%	4.05%						
Total comprehensive income ratio for the period (Owners of the parent) to total revenue (%)	4.04%	4.09%						

Overall the profit of the 9-month period of 2020 (Consolidated), the Company had gross profit decreasing 22.41 percent that mainly caused by an increase in cost of goods sold and financial cost. The profit (Owners of the parent) amounted to Baht 37.20 million which decreased 14 percent when comparing to same period last year.

In this regard, when consider the details of the profit (Owners of the parent) quarterly are shown as follows:

Unit: Million Baht

Quarterly of Year 2020	The Profit (Owners of the parent)	% Growth from the same period last year (YoY)
Quarter 1	17.12	1.07
Quarter 2	-1.82	-115.92
Quarter 3	21.91	47.11

When considering from the table above, it is found that from the 3rd quarter the Company could generate more the Profit (Owners of the parent) when comparing to the 1st and 2nd quarter increased by 47.11 percent YoY or equivalent to the proportion of total revenue 5.39 percent increasing from 4.54 percent from the 3rd quarter last year.

However, in the 9-month period of 2020, the Company could generate cash flow from operation amounted to Baht 119.98 million from the negative cash flow of Baht 71.63 million from the same period last year.

Financial Position: Consolidated Financial Statements

1. Total Assets

Statement of Financial Position	30 September 2020		31 December 2019		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets	2,119.25	60.34%	1,837.49	54.88%	281.76	15.33%
Non-Current Assets	1,392.99	39.66%	1,510.83	45.12%	-117.84	-7.80%
Total Assets	3,512.24	100.00%	3,348.31	100.00%	163.92	4.90%

As of 30 September 2020, the Company's total assets were Baht 3,512.24 million, increasing by Baht 163.92 million from as of 31 December 2019, this mainly caused by the increase of accounts receivable and inventory in line with the increase of orders from customers since the late 2nd quarter.

For the non-current asset holding for sales in the amount of Baht 227.71 million as of 30 September 2020 that is the transaction by ECF Power Company Limited (ECF-P) which ECF-P is the subsidiary of the Company that has invested in SAFE Energy Holdings Company Limited (SAFE) with the shareholding of 33.37 percent of total shares by ECF-P. At present, ECF-P is in the process of negotiation by

entering into the contract to buy and to sell the shares that ECF-P holds 33.37 percent. At present, the Company is waiting for the conclusion of the source of funds for share purchase from the buyer that has not yet finished. However, after the finish of the conclusion, the Company would comply furtherly with the disclosure in accordance with rules and regulations of the Stock Exchange of Thailand.

2. Total Liabilities and Shareholder's Equity

Statement of Financial Position	30 September 2020		31 December 2019		Increased / (Decreased)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Liabilities	1,634.35	46.53%	1,676.02	50.06%	-41.67	-2.49%
Non-Current Liabilities	620.93	17.68%	430.61	12.86%	190.33	44.20%
Total Liabilities	2,255.29	64.21%	2,106.63	62.92%	148.66	7.06%
Shareholder's Equity	1,256.95	35.79%	1,241.68	37.08%	15.27	1.23%
Total Liabilities and Shareholder's Equity	3,512.24	100.00%	3,348.31	100.00%	163.93	4.90%

As of 30 September 2020, the Company's total liabilities were Baht 2,255.29 million increased by Baht 148.66 million from as of 31 December 2019. This caused by the increase of the outstanding balance of the overdrafts and short-term loans from the financial institutions increasing from the amount of Baht 522.48 million as of 31 December 2019 to be Baht 629.88 million as of 30 September 2020.

Shareholder's equities as of 30 September 2020 were Baht 1,256.95 million increased slightly from Baht 1,241.68 million as of 31 December 2019, which mainly caused by the increase of retained earnings from operating results.

Kindly be informed accordingly,

Yours sincerely,

East Coast Furnitech Public Company Limited

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(Arak Suksawad)

Managing Director