COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

(Stock code: 2936)

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For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of COASTER INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of COASTER INTERNATIONAL CO., LTD. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(10) for accounting policies on inventory assessment, Note 5(2) for accounting estimates and assumptions applied on inventory assessment, and Note 6(4) for details of allowance for inventory valuation losses. As of December 31, 2019, the balance of inventory amounted to NT$ 2,483,028 thousand, constituting 41% of consolidated total assets.

The Group is primarily engaged in the sales, import and wholesale of furniture. The Group mainly purchases merchandise from Asian suppliers and sells to American small and medium local retail stores, online shops and large chain stores. The Group has many warehouses in the United States and acts as a logistics center for the sellers to ensure instant and sufficient merchandise supply. As such, the balance of inventory accounts for a significant part of the consolidated assets. The Group measures inventories at the lower of cost and net realisable value. For inventories aged over a certain period and for items individually identified as obsolete inventories, the net realisable value is calculated based on historical data of the degree of discounts required for inventory clearance. As the changes in net realisable value of inventory would have an impact on inventory value, and the net realisable value which was used in obsolete inventory valuation involves significant judgment, and considering that the inventory is material, we identified the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We assessed the reasonableness of policies on loss for market value decline and obsolete and slow-moving inventories, including the determination basis of net realisable value, the source of historical data of discounts, and the reasonableness of the basis of individually identified obsolete inventories.

B. We obtained an understanding of the inventory management process and observed the annual stock take to assess the effectiveness of management's classification and controls over obsolete and slow-moving inventory.

C. We obtained an understanding of the appropriateness of the logic of the inventory aging statements, and randomly checked the accuracy of inventory aging statements to confirm that the information on the statements is consistent with its policies.

D. We had discussions with management to assess the reasonableness of expected sales in the future, and verified a sample of separately numbered inventory against the historical data of discounts, compared the sample to prior allowance for inventory valuation losses and referred to subsequent transactions to assess the reasonableness of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities

or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Penny Pan   Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27,2020

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF DOLLARS)

ASSETS	Notes	New Taiwan Dollars December 31, 2019	New Taiwan Dollars December 31, 2018
Current assets			
Cash and cash equivalents	6(1)	$ 447,213	$ 462,555
Accounts receivable, net	6(2)	670,796	602,142
Other receivables	6(3)	135,923	223,675
Current tax assets		25,662	25,829
Inventories, net	6(4)	2,483,028	3,003,494
Prepayments		96,344	119,634
Total current assets		3,858,966	4,437,329
Non-current assets			
Property, plant and equipment, net	6(5)	104,505	98,284
Right-of-use assets	6(6)	1,708,453	-
Intangible assets		37,298	43,206
Deferred tax assets	6(20)	370,106	296,503
Refundable deposits		44,054	44,555
Total non-current assets		2,264,416	482,548
TOTAL ASSETS		$ 6,123,382	$ 4,919,877

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COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF DOLLARS)

LIABILITIES AND EQUITY	Notes	New Taiwan Dollars December 31, 2018	New Taiwan Dollars December 31, 2017
Current liabilities			
Short-term borrowings	6(7)	$ 910,743	$ 844,107
Contract liabilities-current		56,374	50,905
Notes payable		6,505	1,491
Accounts payable		227,051	662,237
Other payables	6(8)	289,596	328,546
Other payables-related parties	7	-	1,734
Current tax liabilities		4,235	2,587
Provisions-current		61,254	63,159
Lease liabilities-current	7	541,195	-
Refund liabilities-current	6(9)	75,895	71,739
Other current liabilities		1,615	1,219
Total current liabilities		2,174,463	2,027,724
Non-current liabilities			
Deferred tax liabilities	6(20)	4,234	182
Lease liabilities-non-current	7	1,334,690	-
Net defined benefit liability, non-current	6(10)	26,243	25,044
Other non-current liabilities		8,164	104,203
Total non-current liabilities		1,373,331	129,429
Total liabilities		3,547,794	2,157,153
Equity			
Ordinary shares	6(12)	765,557	765,557
Capital surplus		1,791,308	1,789,584
Retained earnings	6(13)		
Legal reserve		55,493	55,493
Unappropriated retained earnings		109,520	260,690
Other equity interest		(133,442)	(95,752)
Treasury shares	6(12)	(12,848)	(12,848)
Total equity		2,575,588	2,762,724
Significant events after the balance sheet date	11		
TOTAL LIABILITIES AND EQUITY		$ 6,123,382	$ 4,919,877

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS (LOSSES) PER SHARE DATA)

Items	Notes	New Taiwan Dollars 2019	2018
Operating revenue	6(14)	$ 11,737,383	$ 12,013,456
Operating cost	6(4)(10)(18)(19)	(8,374,047)	(8,694,921)
Gross profit		3,363,336	3,318,535
Operating expenses	6(10)(18)(19) and 7		
Selling expenses		(2,322,701)	(2,291,918)
General and administrative expenses		(1,037,748)	(1,021,999)
Expected credit losses	12(2)	(307)	(7,086)
Total operating expenses		(3,360,756)	(3,321,003)
Gain (loss) from operations		2,580	(2,468)
Non-operating income and expenses			
Other income	6(15)	24,425	6,190
Other gains and losses	6(16)	(9,201)	(2,246)
Finance cost	6(17) and 7	(137,412)	(51,115)
Total non-operating income and expenses		(122,188)	(47,171)
Loss before income tax		(119,608)	(49,639)
Income tax benefit	6(20)	47,382	27,689
Loss for the year		($ 72,226)	($ 21,950)
Other comprehensive income (loss)			
Components of other comprehensive income that will not be reclassified to profit or loss			
Gain (losses) on remeasurements of defined benefit plans	6(10)	($ 952)	$ 1,830
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		190	(366)
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation of foreign financial statements		(37,690)	78,789
Other comprehensive income (loss), net for tax		($ 38,452)	$ 80,253
Total comprehensive income (loss)		($ 110,678)	$ 58,303
Loss attributable to:			
Owners of parent		($ 72,226)	($ 21,950)
Comprehensive income (loss) attributable to:			
Owners of the parent		($ 110,678)	$ 58,303
Basic loss per share	6(21)	($ 0.95)	($ 0.29)
Diluted loss per share	6(21)	($ 0.95)	($ 0.29)

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent							
			Capital Surplus		Retained Earnings				
	Notes	Ordinary shares	Issued at a premium	Employee share options	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity
2018									
Balance at January 1, 2018		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ -	$ 2,736,722
Loss for the year		-	-	-	-	(21,950)	-	-	(21,950)
Other comprehensive income for the year		-	-	-	-	1,464	78,789	-	80,253
Total comprehensive income (loss) for the year		-	-	-	-	(20,486)	78,789	-	58,303
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	-	2,853	(2,853)	-	-	-
Cash dividends		-	-	-	-	(22,967)	-	-	(22,967)
Compensation cost of employee stock options	6(11)	-	-	3,514	-	-	-	-	3,514
Purchase of treasury shares	6(12)	-	-	-	-	-	-	(12,848)	(12,848)
Balance at December 31, 2018		$ 765,557	$ 1,764,524	$ 25,060	$ 55,493	$ 260,690	($ 95,752)	($ 12,848)	$ 2,762,724
2019									
Balance at January 1, 2019		$ 765,557	$ 1,764,524	$ 25,060	$ 55,493	$ 260,690	($ 95,752)	($ 12,848)	$ 2,762,724
Retrospective application impact		-	-	-	-	(78,182)	-	-	(78,182)
Balance at January 1, 2019 adjusted		$ 765,557	$ 1,764,524	$ 25,060	$ 55,493	182,508	($ 95,752)	(12,848)	2,684,542
Loss for the year		-	-	-	-	(72,226)	-	-	(72,226)
Other comprehensive loss for the year:		-	-	-	-	(762)	(37,690)	-	(38,452)
Total comprehensive income (loss) for the year		-	-	-	-	(72,988)	(37,690)	-	(110,678)
Compensation cost of employee stock options	6(11)	-	-	1,724	-	-	-	-	1,724
Balance at December 31, 2019		$ 765,557	$ 1,764,524	$ 26,784	$ 55,493	$ 109,520	($ 133,442)	($ 12,848)	$ 2,575,588

The accompanying notes are an integral part of these consolidated financial statements.

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated loss before income tax for the year		($ 119,608)	($ 49,639)
Adjustments to reconcile consolidated loss before tax to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Expected credit losses	12(2)	307	7,086
Provision for bad debts	6(15)	(15,631)	-
Depreciation	6(18)	583,170	36,046
Amortization	6(18)	11,478	9,800
Gains on disposals of property, plant and equipment	6(16)	(352)	(205)
Interest expense	6(17)	120,276	30,589
Interest income	6(15)	(1,606)	(1,284)
Compensation cost of employee stock options	6(11)	1,724	3,514
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(68,961)	(71,322)
Other receivables		87,752	57,725
Prepayments		23,290	(28,585)
Inventories		520,466	687,255
Net changes in liabilities relating to operating activities			
Contract liabilities-current		5,469	2,241
Notes payable		5,014	(6,005)
Accounts payable		(435,186)	57,169
Other payables		(41,284)	(1,532)
Other payables-related parties		(1,734)	(15)
Provisions-current		(981)	(426)
Refund liabilities-current		5,379	(20,497)
Other current liabilities		396	(2,819)
Net defined benefit liability, non-current		247	(2,641)
Other non-current liabilities		(18,183)	(3,656)
Cash generated from operations		661,442	702,799
Interest received		1,606	1,284
Interest paid		(120,276)	(30,589)
Income tax paid		(27,149)	(15,659)
Net cash flows provided by operating activities		515,623	657,835

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COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		$ 544	$ 336
Acquisition of property, plant and equipment	6(5)	(48,953)	(25,549)
Acquisition of intangible assets		(6,182)	(7,207)
Decrease (increase) in refundable deposits		501	(1,437)
Net cash used in investing activities		(54,090)	(33,857)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		788,266	1,129,777
Decrease in short-term borrowings		(737,903)	(1,675,910)
Lease payments		(526,080)	-
Cash dividends paid	6(13)	-	(22,967)
Purchase of treasury shares	6(12)	-	(12,848)
Net cash used in financing activities		(475,717)	(581,948)
Effect of exchange rate changes on cash and cash equivalents		(30,899)	103,835
Net (decrease) increase in cash and cash equivalents		(45,083)	145,865
Cash and cash equivalents at beginning of year		423,913	278,048
Cash and cash equivalents at end of year		$ 378,830	$ 423,913
Components of cash and cash equivalents:			
Cash and cash equivalents in balance sheet	6(1)	$ 447,213	$ 462,555
Items defined as cash and cash equivalents under IAS No. 7	6(7)	(68,383)	(38,642)
Cash and cash equivalents at end of year		$ 378,830	$ 423,913

The accompanying notes are an integral part of these consolidated financial statements.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Coaster International Co., Ltd. (the "Company") was incorporated in the Cayman Islands in August 2013. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in wholesale of furniture. The Company's shares were permitted to be publicly traded on August 4, 2016, and listed in the Taiwan Stock Exchange on September 26, 2016.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

(a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $2,151,209, rent payable-current (classified as other payables) by $2,334 and lease liability by $2,304,913, and decreased deferred rent liability-non-current (classified as other non-current liabilities) by $77,856, and retained earnings by $78,182, with respect to the lease contract of lessees on January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,323 was recognised for the year ended December 31, 2019.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 2.2% to 4.25%.

(e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 2,539,097
Less: Short-term leases	(1,128)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 2,537,969
Incremental borrowing interest rate at the date of initial application	2.2%~4.25%
Lease liabilities recognised as at January 1, 2019 by applying	$ 2,304,913

IFRS 16

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following item, the consolidated financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)	
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018
The Company	COA, Inc.	Trading of furniture	100	100
The Company	COA Asia, Inc.	Trading of furniture / purchasing service	100	100
The Company	CFS Global, Inc.	Investment holding	100	100
COA Inc.	Deliverall Logistics, Inc.	Transportation service	100	100

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018
COA Asia Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	Purchasing service	100	100
COA Asia Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	Investment holding	100	100
COA Asia Inc.	Ye Hey Taiwan Logistics Service Ltd.	Trading of furniture / purchasing service	100	100
COA Asia Inc.	Ye Hey Holding Co., Ltd.	Investment holding	100	100
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture (KunShan) Advisory Ltd.	Purchasing service	100	100
Ye Hey Holding Co., Ltd.	Ye Hey (ShenZhen) Logistics Service Company	Warehouse and logistic service	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US Dollars. The consolidated financial statements are presented in New Taiwan Dollars.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

B. Bank overdrafts which are repayable on demand form an integral part of the Group's cash management are included within cash and cash equivalents in the consolidated statement of cash flows. Bank overdrafts are shown within short-term borrowings in current liabilities in the balance sheet.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financial component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

A. Equipment is initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	50 years
Warehouse equipment	5~7 years
Transportation equipment	3~7 years
Office equipment	3~5 years
Leasehold improvements	4~9 years
Other equipment	3~9 years

(12) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Leased assets / operating leases (lessee)

Applicable for 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Defined benefit plans are pension plans that do not belong to defined contribution plans. Defined benefit plans usually assures the pension benefit amount when employees retire, and the amount normally depends on single or multiple factors, such as age, service duration and salary. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by market interest rates of government bonds (at the balance sheet date).

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings in Taiwan subsidiary.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) <u>Share capital</u>

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

(25) <u>Revenue recognition</u>

A. The Group sells furniture and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The furniture is often sold with volume discounts based on historical experience. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. A refund liability is recognised for expected volume discounts, sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 days. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. The Group’s obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group’s Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group’s accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories in the balance sheet using judgements and estimates. For inventories aged over a certain period, the net realisable value was calculated based on historical data of the degree of discounts required for inventory clearance. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was $2,483,028.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 1,658	$ 1,554
Checking accounts and demand deposits	445,555	461,001
	$ 447,213	$ 462,555

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 688,989	$ 623,857
Less: Allowance for uncollectible accounts	(18,193)	(21,715)
	$ 670,796	$ 602,142

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 539,107	$ 425,404
Past due		
Up to 30 days	88,477	157,694
31 to 90 days	38,678	24,393
Over 90 days	22,727	16,366
	$ 688,989	$ 623,857

The above ageing analysis was based on past due date.

B. Accounts receivable are pledged to the bank as collateral. Please refer to Notes 6(7) and 8 in details.

C. The Group does not hold any collateral.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $670,796 and $602,142, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Other receivables

	December 31, 2019	December 31, 2018
Balance of accounts receivable factoring not yet due	$ 135,895	$ 223,674
Others	28	1
	$ 135,923	$ 223,675

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable, and the conditions of agreement are as follows:

(a) Every account receivable should be approved by financial institutions before factoring transaction. The financial institution is obligated to bear the default risk of the transferred accounts receivable, except for the losses incurred on any business dispute.

(b) The Group and financial institutions have agreed that financial institutions would collect accounts receivable and pay to the Group the transferred accounts receivable within a specific period of time after transfer date.

(c) Any interest of prepayments should be calculated at agreed interest rate.

The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable and recognised outstanding balance as other accounts receivable. The related information is as follows:

December 31, 2019				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Outstanding balance
Rosenthal & Rosenthal	$ 127,411	$ 127,411	$ -	$ -
Wells Fargo	8,484	8,484	-	-
	$ 135,895	$ 135,895	$ -	$ -

December 31, 2018				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Outstanding balance
Rosenthal & Rosenthal	$ 196,140	$ 196,140	$ -	$ -
Wells Fargo	27,534	27,534	-	-
	$ 223,674	$ 223,674	$ -	$ -

B. The other receivables of the abovementioned accounts receivable factoring are pledged to banks except for factoring institutions. Details are provided in Notes 6(7) and 8. In addition, please refer to Note 6(17) for details of the service charge on accounts receivable factoring.

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,245,978	($ 126,727)	$ 2,119,251
Inventory in transit	363,777	-	363,777
	$ 2,609,755	($ 126,727)	$ 2,483,028

	December 31, 2018		

	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,192,540	($ 104,820)	$ 2,087,720
Inventory in transit	915,774	-	915,774
	$ 3,108,314	($ 104,820)	$ 3,003,494

A. The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	$ 8,254,370	$ 8,583,292
Loss on decline in market value	24,127	11,181
Labor cost	95,550	100,448
	$ 8,374,047	$ 8,694,921

B. The abovementioned inventories are pledged as collateral for bank borrowings. Details are provided in Notes 6(7) and 8.

(5) Property, plant and equipment

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2019							
Cost	$ 12,557	$195,642	$ 62,738	$ 231,362	$ 116,330	$ 99,011	$ 717,640
Accumulated depreciation	(1,669)	(164,551)	(51,313)	(214,687)	(90,625)	(96,511)	(619,356)
	$ 10,888	$ 31,901	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284
2019							
January 1	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284
Additions	-	33,017	891	2,039	3,732	9,274	48,953
Disposals	-	(172)	(20)	-	-	-	(192)
Depreciation charge	(240)	(16,081)	(4,173)	(7,279)	(8,394)	(4,863)	(41,030)
Net exchange differences	(339)	(914)	(77)	240	(263)	(157)	(1,510)
December 31	$ 10,309	$ 46,941	$ 8,046	$ 11,675	$ 20,780	$ 6,754	$ 104,505
December 31, 2019							
Cost	$ 12,156	$212,465	$ 64,241	$ 230,110	$ 118,211	$ 77,690	$ 714,873
Accumulated depreciation	(1,847)	(165,524)	(56,195)	(218,435)	(97,431)	(70,936)	(610,368)
	$ 10,309	$ 46,941	$ 8,046	$ 11,675	$ 20,780	$ 6,754	$ 104,505

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2018							
Cost	$ 12,875	$182,494	$ 55,538	$ 222,293	$ 111,789	$ 93,882	$ 678,871
Accumulated depreciation	(1,467)	(151,550)	(44,847)	(201,320)	(80,520)	(92,533)	(572,237)
	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
2018							
January 1	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634

Additions	-	12,782	5,972	2,429	1,374	2,992	25,549
Disposals	-	(54)	-	-	(77)	-	(131)
Reclassification	-	-	(49)	148	-	-	99
Depreciation charge	(245)	(13,520)	(5,375)	(7,318)	(7,731)	(1,857)	(36,046)
Net exchange differences	(275)	939	186	443	870	16	2,179
December 31	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284
December 31, 2018							
Cost	$ 12,557	$195,642	$ 62,738	$ 231,362	$ 116,330	$ 99,011	$ 717,640
Accumulated depreciation	(1,669)	(164,551)	(51,313)	(214,687)	(90,625)	(96,511)	(619,356)
	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284

Information about the property, plant and equipment that were pledged to others as collateral is provided in Notes 6(7) and 8.

(6) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including buildings, transportation equipment and office equipment. Rental contracts are typically made for periods of 2 to 8 years.

B. Short-term leases with a lease term of 12 months or less comprise dormitory. On December 31, 2019, payments of lease commitments for short-term leases amounted to $927.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 1,707,131	$ 541,498
Transportation equipment	697	403
Office equipment	625	239
	$ 1,708,453	$ 542,140

D. For the year ended December 31, 2019, the additions to right-of-use assets was $117,763.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 81,289
Expense on short-term lease contracts	1,323

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was $608,692.

(7) Short-term borrowings

Type of borrowings	December 31, 2019		Interest rate range	Collateral
Bank borrowings				
Bank secured borrowings	$	842,360	3.486%~4.75%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts		68,383	-	None
	$	910,743		

Type of borrowings	December 31, 2018		Interest rate range	Collateral
Bank borrowings				
Bank secured borrowings	$	805,465	3.88%~4.01%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts		38,642	-	None
	$	844,107		

The subsidiary, COA Inc., has signed a credit facility contract of US$55,000,000 with banks. Accounts receivable (including other receivables sold to banks), inventories, property, plant and equipment are pledged as collaterals. The amount that can be drawn is calculated based on a certain formula and amounts of accounts receivable, inventories and outstanding letters of credit. The following financial conditions are required for the credit granting contract:

A. Net tangible assets (total equity less intangible assets) shall not be lower than US$60,000,000 at the balance sheet date of every quarter.

B. The amount of total liabilities divided by net tangible assets may not exceed 1.5 times.

C. The interest protection multiples (profit before tax plus interest expense, depreciation expense and amortisation expense then divided by interest expense) shall not be lower than 3.5 times at the balance sheet date of each quarter (Note).

D. Acquisition of property, plant and equipment may not exceed US$5,000,000 annually.

E. Loans and advances to employees and accounts receivable due from affiliated entities in amounts not to exceed an aggregate of US$3,000,000 at any time.

Note: As of (i) December 31, 2019 and 2018 determined on a trailing 3-month basis (ii) each fiscal quarter end thereafter, determined on a rolling 4-quarter basis.

(8) Other payables

	December 31, 2019	December 31, 2018
Salary and wages payable	$ 73,071	$ 84,706
Accrued expenses	72,328	75,523
Accrued employee insurance	9,980	15,447
Accrued royalty	3,756	16,333
Accrued sales commission	22,584	19,739
Others	107,877	116,798
	$ 289,596	$ 328,546

(9) Refund liabilities-current

	December 31, 2019	December 31, 2018
At January 1	$ 71,739	$ -
Adjustments under IFRS 15	-	89,768
Balance after adjustment as of January 1, 2019	71,739	89,768
Additional provisions	187,474	153,924
Used during the year	(182,095)	(174,421)
Exchange differences	(1,223)	2,468
At December 31	$ 75,895	$ 71,739

Refund liabilities are the returns and discounts related to furniture sales. Sales discounts are mainly generated from sales through electronic commerce platform, which is calculated according to the discounts rate and items on the contract. Sales returns are estimated based on historical experience.

(10) Pensions

A. Defined benefit plans

(a) Domestic subsidiaries apply defined benefit pension plan in accordance with the Labor Standards Act for its employees who have worked at other associates and whose year of service are admitted. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

(b) The amounts recognised in the balance sheet are determined as follows:

December 31, 2019	December 31, 2018

Present value of defined benefit obligations	$ 26,243	$ 25,044
Fair value of plan assets	-	-
Net defined benefit liability	$ 26,243	$ 25,044

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2019	($ 25,044)	$ -	($ 25,044)
Interest expense	(247)	-	(247)
	(25,291)	-	(25,291)
Remeasurements:			
Change in demographic assumptions	-	-	-
Change in financial assumptions	(726)	-	(726)
Experience adjustments	(226)	-	(226)
	(952)	-	(952)
December 31, 2019	($ 26,243)	$ -	($ 26,243)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2018	($ 29,149)	$ -	($ 29,149)
Interest expense	(360)	-	(360)
	(29,509)	-	(29,509)
Remeasurements:			
Change in demographic assumptions	(7)	-	(7)
Change in financial			

assumptions	(724)	-	(724)
Experience adjustments	2,561	-	2,561
	1,830	-	1,830
Paid pensions	2,635	-	2,635
December 31, 2018	($ 25,044)	$ -	($ 25,044)

(d) The principal actuarial assumptions used for pension fund were as follows:

	2019	2018
Discount rate	0.75%	1.00%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 726)	$ 753	$ 742	($ 719)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 724)	$ 752	$ 743	($ 719)

The sensitivity analysis above is based on assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to $0.

(f) As of December 31, 2019, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 672
1-2 year(s)	818
2-5 years	2,369
Over 5 years	24,721

$ 28,580

B. Defined contribution plans

(a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC.) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018 was both 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The Group’s subsidiaries in Malaysia recognise related expense in accordance with the local pension regulations. Monthly contribution is based on 13% of the base salary, performance bonus and bonus.

(d) The Group has established a defined contribution pension plan (the “401(K) Plan”), covering all regular employees working in U.S. subsidiaries. Under the 401(K) Plan, employees contribute monthly an amount based on a certain percentage of the employees’ monthly salaries and wages to the employees’ individual pension accounts. The Group contributes at the same percentage as employees contributed up to a maximum of 4%.

(e) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $29,956 and $30,431, respectively.

(11) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (Note 2)	Contract period	Vesting conditions
Employee stock options	2015/11/1	4,294 (units)	7 years	2~4 years’ service (Note 1)

Note 1: Employee who has worked for 2 years reach 40% of vesting conditions while 3 years reach 70% and 4 years reach 100%.

Note 2: The number of shares covered by the option is 1,000 shares per unit.

Share-based payment arrangements mentioned above are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	2019	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding balance at January 1 (Equal Options outstanding at December 31)	3,292,000	$ 36.0
Options exercisable at December 31	3,292,000	36.0

	2018	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding balance at January 1	3,749,200	$ 36.0
Options forfeited	(457,200)	36.0
Options outstanding at December 31	3,292,000	36.0
Options exercisable at December 31	2,304,400	36.0

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2019		December 31, 2018	
Issue date approved	Expiry date	No. of shares (shares in thousands)	Exercise price (in dollars)	No. of shares (shares in thousands)	Exercise price (in dollars)
2015/11/1	2022/10/31	3,292	$ 36	3,292	$ 36

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of Arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015/11/1	27.41	36.0	40.70%	4.95 years	-	0.88%	7.60

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31	
	2019	2018
Equity-settled	$ 1,724	$ 3,514

(12) Share capital

A. As of December 31, 2019, the Company's authorized capital was $2,000,000, consisting of 200 million shares of ordinary shares, and the paid-in capital was $765,557 with a par value of $10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2019	2018
At January 1	76,055,696	76,555,696
Purchase of treasury shares	-	(500,000)
At December 31	76,055,696	76,055,696

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	500,000	$ 12,848

		December 31, 2018	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	500,000	$ 12,848

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used through the following process:

(a) Pay taxes as regulated;

(b) Offset prior years' operating losses (if any);

(c) Appropriate 10% of the retained earnings as legal reserve, unless the legal reserve equals to paid-in capital of the Company;

(d) Appropriate special reserve as required by the competent authority; and

(e) Distribute retained earnings calculated from current earnings less the total amount of

(a) to (d) plus accumulated retained earnings of prior years. Distributable retained earnings could be distributed by the Board of Directors while taking profit, capital structure and future operations into consideration. The dividend policy should be adopted by the Board of Directors and resolved by the stockholders at the stockholders' meeting. Dividends can be distributed in the form of cash or stock. In order to comply with the laws of Cayman Islands, cash dividends should be distributed in the proportion of 10%~100% of total dividends.

B. On June 12, 2018, the stockholders resolved the appropriations of the 2017 earnings as follows:

	Amount (in dollars)	Earnings per share (in TWD)
Legal reserve	$ 2,853	
Cash dividends	22,967	$ 0.3
	$ 25,820	

C. On June 25, 2019, the stockholders decided that no dividends will be distributed because of the losses in 2018.

D. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(19).

(14) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	$ 11,737,383	$ 12,013,456

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major categories and geographical regions:

Year ended December 31, 2019	US		All other segments	
	Furniture sales	Others	Furniture sales	Total
Timing of revenue				
At a point in time	$ 11,497,046	$ 69,049	$ 171,288	$ 11,737,383

Year ended December 31, 2018	US		All other segments	
	Furniture sales	Others	Furniture sales	Total
Timing of revenue				
At a point in time	$ 11,698,937	$ 82,706	$ 231,813	$ 12,013,456

B. Revenue recognised that was included in the contract liability balance at the end of 2019 and 2018 are $50,905 and $48,664, respectively.

C. All contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(15) Other income

	Years ended December 31, 2019	Years ended December 31, 2018
Interest income	$ 1,606	$ 1,284
Gains on write-off of past due payable	15,631	1,785
Others	7,188	3,121
	$ 24,425	$ 6,190

(16) Other gains and losses

	Years ended December 31, 2019	Years ended December 31, 2018
Gain on disposal of assets	$ 352	$ 205
Net exchange gain (loss)	(1,368)	2,846
Others	(8,185)	(5,297)
	($ 9,201)	($ 2,246)

(17) Finance costs

	Years ended December 31, 2019	Years ended December 31, 2018
Interest expense		
Bank loan	$ 38,987	$ 30,589
Lease liability	81,289	-
Service charge on accounts receivable factoring	17,136	20,526
	$ 137,412	$ 51,115

(18) Expenses by nature

	Years ended December 31, 2019	Years ended December 31, 2018
Employee benefit expense	$ 1,396,968	$ 1,406,401
Depreciation charges on property, plant and equipment	$ 41,030	$ 36,046
Depreciation charges on right-of-use assets	$ 542,140	$ -
Amortization charge	$ 11,478	$ 9,800

(19) Employee benefit expense

	Years ended December 31, 2019	Years ended December 31, 2018
Wages and salaries	$ 1,207,188	$ 1,199,743
Labor and health insurance fees	90,265	105,271

Pension costs	30,203	30,791
Other personnel expenses	69,312	70,596
	$ 1,396,968	$ 1,406,401

A. According to the Articles of Incorporation of the Company, distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration when distributing earnings. The Company shall distribute 1~15% for employees, compensation and not higher than 2% for directors' remuneration.

B. The Company did not accrue employees' compensation and directors' remuneration in 2019 and 2018 due to the loss. Information about employees' compensation and directors' remuneration of the Company as resolved at the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax benefit:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profit (loss) for the period	$ 18,797	($ 12,349)
Undistributed retained earnings	890	1,195
Prior year income tax under (over) estimation	8,675	(2,111)
Total current tax	28,362	(13,265)
Deferred tax:		
Origination and reversal of temporary differences	(75,744)	(13,488)
Impact of change in tax rate	-	(936)
Total deferred tax	(75,744)	(14,424)
Income tax benefit	($ 47,382)	($ 27,689)

B. Reconciliation between income tax benefit and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate (Note)	($ 54,547)	($ 29,137)
Effect of non-deductible expenses or accounted as tax-exempt income as regulated in tax laws	26,527	13,741
Change in assessment of realisation of deferred tax assets	(31,906)	-
Taxable loss	-	(1,406)
Prior year income tax under (over) estimation	8,675	(2,111)
Tax on undistributed earnings	890	1,195
Impact of change in the tax rate on temporary differences between current year and the year realised	637	(8,797)
Separate taxation	1,802	664
Effect of changes in tax regulation	-	(936)
Others	540	(902)
Income tax benefit	($ 47,382)	($ 27,689)

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 5,009	$ 49	$ 190	$ 1	$ 5,249
Allowance for bad debts	5,455	131	-	(85)	5,501
Unrealised sales return and discounts	18,021	1,309	-	(306)	19,024
Valuation allowance in inventories	42,197	5,710	-	(787)	47,120
Deferred cost of sale	97,630	(23,471)	-	(846)	73,313
Depreciation and amortization	17,795	2,873	-	(344)	20,324
Unrealised expense	54,885	3,228	-	(911)	57,202
Unrealised exchange loss	-	637	-	(182)	455
Others	-	30,388	-	(808)	29,580
-Tax losses	55,511	59,239	-	(2,412)	112,338
	$ 296,503	$ 80,093	$ 190	($ 6,680)	$ 370,106
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	($ 182)	($ 4,349)	$ -	$ 297	($ 4,234)

	2018				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 4,955	$ 419	($ 366)	$ 1	$ 5,009
Allowance for bad debts	6,295	(1,019)	-	179	5,455
Unrealised sales return and discounts	21,860	(4,447)	-	608	18,021
Valuation allowance in inventories	36,329	4,687	-	1,181	42,197
Deferred cost of sale	119,399	(25,083)	-	3,314	97,630
Depreciation and amortization	12,751	4,589	-	455	17,795
Unrealised expense	72,095	(19,151)	-	1,941	54,885
Unrealised exchange loss	169	-	-	(169)	-
-Tax losses	-	54,743	-	768	55,511
	$ 273,853	$ 14,738	($ 366)	$ 8,278	$ 296,503
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	$ -	($ 351)	$ -	$ 169	($ 182)
Book-tax difference on property, plant and equipment	(37)	37	-	-	-
	($ 37)	($ 314)	$ -	$ 169	($ 182)

D. Expiration dates of subsidiaries' unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

	December 31, 2019			
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2018	$ 55,511	$ 55,511	$ -	Note
2019	112,338	112,338	-	Note

	December 31, 2018			
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2018	$ 55,511	$ 55,511	$ -	Note

Note: Represent tax losses incurred by a US subsidiary. In accordance with current tax law, those produced after January 1, 2018 has no reduction deadline for the subsequent years.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(21) Loss per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 72,226)	76,056	($ 0.95)

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 21,950)	76,225	($ 0.29)

Note: Since the Company had net loss in 2019 and 2018, the inclusion of potential ordinary shares will have an anti-dilutive effect. Thus, only the basic losses per share calculation is included.

(22) Operating leases (lessee)

Applicable 2018

The Group leases office and warehouse, and lease period is between 1 to 8 years. The future aggregate minimum lease payables under non-cancellable operating leases agreements are as follows:

	December 31, 2018
Not later than one year	$ 594,422
Later than one year but not later than five years	1,753,878
Later than five years	190,797
Total	$ 2,539,097

(23) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	$ 805,465	$ 2,304,913	$ 3,110,378
Short-term borrowings increase	788,266	-	788,266
Short-term borrowings decrease	(737,903)	-	(737,903)
Lease payment	-	(526,080)	(526,080)
Changes in other non-cash items-			
Lease liabilities increase	-	117,763	117,763
Impact of changes in foreign exchange rate	(13,468)	(20,711)	(34,179)
At December 31, 2019	$ 842,360	$ 1,875,885	$ 2,718,245

	Short-term borrowings
At January 1, 2018	$ 1,318,769
Short-term borrowings increase	1,129,777
Short-term borrowings decrease	(1,675,910)
Impact of changes in foreign exchange rate	32,829
At December 31, 2018	$ 805,465

Note: The short-term borrowings listed above do not include bank overdraft.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Yeh Family Limited Partnership (Yeh Family)	Entity controlled by key management personnel
MISA LLC (MISA)	Entity controlled by key management personnel
Yeh International Service Corporation	Entity controlled by key management personnel
Yeh Cayman International Business Corporation	Entity controlled by key management personnel
Coaster Furniture (ShenZhen) Ltd.	Entity controlled by key management personnel
Michael Yeh	Key management

(2) Significant related party transactions

A. Payables to related parties

	December 31, 2019	December 31, 2018
Other accounts payable:		
Coaster Furniture (ShenZhen) Ltd.	$ -	$ 1,734

The above amount is the rent payable to related parties.

B. Lease transactions-lessee

(a) The Group leases buildings from related parties. Rental contracts are typically made for periods of 5 to 8 years with MISA; 5 years with Yeh Family; 1 to 3 years with other related parties. The abovementioned rents paid to related parties are approximately the same with third parties and are paid monthly on a contract basis.

(b) Acquisition of right-of-use assets:
On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of use assets by $480,532. The Group did not obtain right-of-use assets from related parties in 2019. For lease liabilities at the end of the current year, please refer to the following:

Lease liabilities

(i) Outstanding balance:

	December 31, 2019		
	Current	Non-current	Total
MISA	$ 129,139	$ 416,708	$ 545,847
Yeh Family	32,242	55,922	88,164
Others	16,827	9,585	26,412
	$ 178,208	$ 482,215	$ 660,423

(ii) Interest expense

	Year ended December 31, 2019
MISA	$ 24,281
Yeh Family	4,135
Others	725
	$ 29,141

(c) Rent expense

	Years ended December 31,	
	2019	2018
MISA	$ -	$ 142,748
Yeh Family	-	33,415
Others	927	16,432
	$ 927	$ 192,595

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and bonus	$ 129,421	$ 131,275
Pensions	4,731	4,683
Share-based payments	1,219	2,318
	$ 135,371	$ 138,276

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Accounts receivable	$ 650,509	$ 558,119	Short-term borrowings
Other receivables	135,895	223,674	
Inventories	2,481,035	3,001,853	
Property, plant and equipment	85,974	76,978	
	$ 3,353,413	$ 3,860,624	

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In order to prevent the COVID-19 outbreak in 2020, the Group has started to cooperate with the action control orders issued by the local governments in the United States on March 20, 2020. The headquarters implemented the rotation plan and the employees started to work from home. The Group arranged the necessary storage personnel to take turns to receive and send the goods. The impact of these pandemic prevention measures on the Group's financial performance has yet to be evaluated.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within 0% to 50%. The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total borrowings	$ 910,743	$ 844,107
Less: Cash and cash equivalents	(447,213)	(462,555)
Net debt	463,530	381,552
Total equity	2,575,588	2,762,724
Total capital	$ 3,039,118	$ 3,144,276
Gearing ratio	15%	12%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 447,213	$ 462,555
Accounts receivable	670,796	602,142
Other receivables	135,923	223,675
Guarantee deposits paid	44,054	44,555
	$ 1,297,986	$ 1,332,927

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 910,743	$ 844,107
Notes payable	6,505	1,491
Accounts payable	227,051	662,237
Other accounts payable (including related parties)	289,596	330,280
Lease liability	1,875,885	-
	$ 3,309,780	$ 1,838,115

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the CAD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

(iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other subsidiaries' functional currency: local currency). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 277	0.7649	$ 6,373

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 411	0.7337	$ 9,208

(iv) Please refer to the following table for the details of unrealised exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group:

	Year ended December 31, 2019		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD		0.7649	($ 1,630)

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD		0.7337	($ 2,460)

(v) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
CAD：USD	1%	$ 64	$ -

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
CAD：USD	1%	$ 92	$ -

ii. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in US Dollars.

(ii) If the borrowing interest rate of US dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have increased/decreased by $842 and $805, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms and the contract cash flows.

ii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2019, the Group did not have written-off financial assets that are still under recourse procedures.

vi. Accounts receivable of the Group are divided into: customers whose transactions are through credit cards and normal credits that are underwritten by financial institutions or undertaken by the Group.

(i) When the customer defaults, the credit loss associated with payments collected by the credit card company and with accounts underwritten by the financial institution will be borne by the financial institution. On December 31, 2019, the book value of accounts receivable and impairment provision are $547,395 and $496,360, respectively.

(ii)The Group used the forecastability to adjust historical and timely information to assess the allowance loss for accounts receivable that are not underwritten by financial institutions and those from normal credit customers. On December 31, 2019, the provision matrix is as follows:

	Not past due	Past due within 30 days	31 to 60 days past due
At December 31, 2019			
Expected loss rate	1.05%~12.44%	5.85%~13.73%	37.83%~54.25%
Total book value	$ 93,184	$ 21,603	$ 15,798
Loss allowance	2,474	2,356	4,018

	61 to 90 days past due	Up to 90 days past due	Total
At December 31, 2019			
rate	96.97%~98.87%	100%	
Total book value	$ 4,629	$ 6,380	$ 141,594
Loss allowance	2,965	6,380	18,193

	Not past due	Past due within 30 days	31 to 60 days past due
At December 31, 2018			
Expected loss rate	0.88%~10.74%	5.25%~12.50%	34.65%~57.49%
Total book value	$ 86,068	$ 21,598	$ 5,951
Loss allowance	2,640	2,178	3,035

	61 to 90 days past due	Up to 90 days past due	Total
At December 31, 2018			
rate	98.63%~99.42%	100%	
Total book value	$ 2,724	$ 11,156	$ 127,497
Loss allowance	2,706	11,156	21,715

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2019
At January 1	$ 21,715
Provision for impairment	307
Write-offs	(3,590)
Effect of foreign exchange	(239)
At December 31	$ 18,193

	2018
At January 1_IAS 39	$ 25,849
Adjustments under new standards	-
Provision for impairment	7,086
Write-offs	(11,946)
Effect of foreign exchange	726
At December 31	$ 21,715

For provisioned loss in 2019 and 2018, the impairment losses arising from customers' contracts are $307 and $7,086, respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings (Note)	$ 913,242	$ -	$ -	$ -
Notes payable	6,505	-	-	-
Accounts payable	227,051	-	-	-

Other payables	289,596	-	-	-
Lease liability (Note)	611,955	533,635	842,372	55,679

	December 31, 2018			
	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings (Note)	$ 846,740	$ -	$ -	$ -
Notes payable	1,491	-	-	-
Accounts payable	662,237	-	-	-
Other payables	330,280	-	-	-

Note: Represents the total contract liability for repayment in the future including interest expense for the period.

(3) Fair value information

A. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, other receivables, guarantee deposits, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

B. The Group does not engage in transactions in financial instruments measured at fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in

Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

The Group only operates wholesale of furniture. The chief operating decision maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

A. The Group's operating segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

B. The revenues from external customers and its financial information reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the consolidated statement of comprehensive income.

(3) Reconciliation for segment income (loss)

The segment assets, liabilities and net profit (loss) after tax reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the balance sheet and statement of comprehensive income, thus, no reconciliation is needed.

(4) Information on products and services

Revenues from external customers mainly come from wholesale of furniture. Service revenues mainly come from purchases and transportation of furniture and related services.

Details of revenue balance is as follows:

	Years ended December 31,	
	2019	2018
Revenue from sale of furniture	$ 11,668,334	$ 11,930,750
Service revenue	69,049	82,706
	$ 11,737,383	$ 12,013,456

(5) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	As at and for the Year ended December 31, 2019		As at and for the Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	$ 11,566,095	$ 1,800,217	$ 11,781,643	$ 112,942
Others	171,288	50,039	231,813	28,548

$ 11,737,383	$ 1,850,256	$ 12,013,456	$ 141,490

Note: Non-current assets do not include financial instruments and deferred tax assets.

(6) Major customer information

The Group's operating revenue from individual external customers for the years ended December 31, 2019 and 2018 did not exceed 10% of the consolidated net operating revenue.