



## 2019 Annual Report

### Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*



**Spokesperson**

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**Deputy Spokesperson**

Name : Alexander Pan Title : CFO  
 Tel : (886) 905-002936 E-mail : 2936.ir@coastergroup.com

**Local Designated Agent**

Name : Lily, Chiu Title : Asia Financial Department VP  
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**Board of Directors**

Title	Name	Nationality	Major Education & Experience
Chairperson	Lisa Kao	R.O.C	- Bachelor, School of Foreign Languages and Cultures, Soochow University, Taiwan - Funder of Coaster
Director	Yeko LLC	U.S.A.	- KaiNan Vocational High School, Taiwan - Funder of Coaster
	Representative : Michael P Yeh	R.O.C	
Director	Alexander Pan	R.O.C	- Ph.D. Business Administration, University of Southern California, USA - MBA. (Finance), University of Southern California, USA - Master of Business Taxation, University of Southern California, USA - Master (Economics), Soochow University, Taiwan - Partner, PricewaterhouseCoopers, LLP (USA) - Assistant Professor, Loyola Marymount University (USA) - Lecturer, MBA Program, University of Southern California. - Certified Public Accountant, USA
Director	Rong Zing Liu	R.O.C	- Master of Business Administration, University of KANSAS, USA - CFO and Independent Supervisor of Alcor Micro, Corp.

Title	Name	Nationality	Major Education & Experience
Independent Director	Hui-Erh Yuan	R.O.C	<ul style="list-style-type: none"> <li>- Master of Science in Accountancy, University of Missouri, USA</li> <li>- Master of Business Administration, Southern Illinois University, USA</li> <li>- Partner, PricewaterhouseCoopers Taiwan</li> <li>- Chairperson, PricewaterhouseCoopers Financial Advisory Services Consulting Company, Taiwan (普華國際財務顧問(股)公司).</li> <li>- Director, Certified Public Accountants Association of the Republic of China (Taipei) (中華民國北市會計師公會)</li> </ul>
Independent Director	Jong Rong Chen	R.O.C	<ul style="list-style-type: none"> <li>- Ph.D., Economics, University of North Carolina at Chapel Hill, USA</li> <li>- Director, Graduate Institute of Industrial Economics, National Central University, Taiwan</li> <li>- Visiting scholar, Institute of Economics, Academia Sinica, Taiwan</li> <li>- Visiting fellow, Center for Business and Government, Kennedy School of Government, Harvard University, USA</li> <li>- Visiting Research Fellow, Economic Research Center, School of Economics, Nagoya University, Japan</li> <li>- Chairman, Department of Economics, National Central University</li> </ul>
Independent Director	Lung Zin Chi	R.O.C	<ul style="list-style-type: none"> <li>- B.A. and M. A. in Department of Cinema and Audiovisual, University Paris III - Sorbonne Nouvelle, France</li> <li>- Director, Department of Radio, Television &amp; Film, Shih Hsin University, Taiwan</li> </ul>

## Headquarters, Branches & Plants

### (一) The Company

<b>Coaster International Co., Ltd.</b>	Address	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
<a href="http://www.coasterinternational.com/">http://www.coasterinternational.com/</a>	Tel	(1)562-944-7899

### (二) Subsidiaries

<b>COA, Inc.</b>	Address	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA
<a href="http://www.coasterfurniture.com/">http://www.coasterfurniture.com/</a>	Tel	(1)562-944-7899

<b>Deliverall Logistics, Inc.</b>	Address	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA
	Tel	(1)562-944-7899
<b>CFS Global, Inc.</b>	Address	190 Elgin Avenue, George Town, Grand Cayman KY 1-9005, Cayman Islands
	Tel	(1)562-944-7899
<b>COA Asia, Inc.</b>	Address	190 Elgin Avenue George Town Grand Cayman KY 1-9005 Cayman Islands
	Tel	(886)4-2249-0777
<b>Ye Hey Holding Company Limited</b>	Address	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
	Tel	(852)2598-8663
<b>Ye Hey (ShenZhen) Logistics Service Company</b>	Address	Block C 103, Coaster Industrial Plant, Lanzhu West Road 10 <sup>th</sup> , Shenzhen Export Processing Zone, Pingshan New Distric, Shenzhen China.
	Tel	(86)755-336-19168
<b>Ye Hey Taiwan Logistics Service Ltd.</b>	Address	7F-1, No.360, Beitun Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)
	Tel	(886)4-2249-0777
<b>Coaster Furniture (Asia) Service Holdings Limited</b>	Address	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
	Tel	(852)3962-0402
<b>Coaster Furniture Service (KunShan) Advisory Company</b>	Address	No. 77 ChaoYang Middle Road Kunshan City, Jiangsu Province, China
	Tel	(86)512-552-57508
<b>Ye Hey (Malaysia) Logistics Service SDN BHD</b>	Address	No.8 Jalan Cu2,Taman Cheng Utama, 75250 Melaka, Malaysia
	Tel	(60)6-281-6889

#### **Common Share Transfer Agent and Registrar**

Company: The Transfer Agency Department of Chinatrust  
Address: 5F, 83, Sec. 1, Chung-Ching S. Rd., Taipei 10008,  
Taiwan R.O.C.

Website: <http://www.ctbcbank.com>  
Tel: +886-2-66365566  
Fax: +886-2-23116723

#### **Auditors**

Auditors : Penny Pan, Audrey Tseng  
Accounting Firm : PricewaterhouseCoopers, Taiwan  
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11012, Taiwan

Website : <http://www.pwc.tw>  
Tel: +886-2-2729-6666

**Overseas Securities Listing Exchange and Information : Not applicable •**

**Company Website :** <http://www.coasterinternational.com/>

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## **I. Letter to Shareholders**

### **1. 受到外部競爭環境、法規遵循及全球經濟環境之影響**

#### **Market Competition, Regulatory Compliance and Global Economy Prospect**

受中美貿易摩擦以及各項國際經濟不確定性因素，加上電子商務之持續擴張，壓縮美國家具供應鏈之獲利空間。2020 年第一季全球各地陸續出現冠狀病毒引發之肺炎疫情，民眾減少外出購物，對實體零售店形成更加嚴峻的競爭壓力。

U.S. furniture retailers were facing various challenges in 2019. Addition to the rapidly expansion of ecommerce retailers taking larger piece of traditional furniture stores' market, the U.S.-China trade war disrupted the global supply chain and the tariff cost of importing China made goods. These factors challenge the operations of U.S Brick and Mortar furniture stores. The COVID-19 pandemic outbreak in 1<sup>st</sup> quarter of 2020, further constrains U.S. consumers from shopping at brick and mortar furniture retail stores.

客思達耕耘美國家具市場三十餘年，主要營業項目為室內家具的開發、採購進口以及供應鏈配銷。客思達並無實體零售店面之設置，故面對快速變化的市場及各種挑戰，客思達得以步步為營，將精神集中於配銷通路之管理及調控。客思達之家具配銷通路以中小型實體通路業者為主，並有一部分之電商通路以及 Top 100 連鎖實體家具業者。客思達面對各通路採取不同之經營策略因應，以達成各配銷通路之平衡、降低對單一銷售渠道過度依賴之風險。

As a furniture product developer and an import wholesale distributor, Coaster has been servicing U.S. furniture market for more than three decades. Coaster offers a full line of indoor furniture products with over 4,000 SKU of inventory stored at the warehouses of nine U.S. branches and distribution centers. In responding to the rapidly changing market and challenges, Coaster continues enhancing its core competency by focusing on inventory distribution and sales channels management. Coaster sales are mainly derived from thousands of small & medium sized U.S. furniture stores and dozens of major Ecommerce retailers. Coaster adopts various strategies to differentiate these sales channels. Coaster mitigates concentration risk by balancing the volume between brick & mortar and ecommerce fulfillment channels and closely monitoring the performance of its major dealer accounts.

### **2. 2019 年營業計劃實施成果**

#### **2019 Operation Results**

客思達 2019 年推出 Coaster 系列商品：CoasterEveryday、CoasterEssence、CoasterElevations 以及 CoasterSleep，於官方網站、平面及電子媒體進行曝光，對於品牌識別度之推廣已達初步成效。客思達將持續精進供應鏈管理效率及產品開發設計能



力、並結合中小實體通路、將觸角延伸至客戶服務，同時維持最適存貨規模、強化管理的競爭力、維持穩健的財務結構、提升獲利能力，期能以實質的成績回饋給股東。In 2019, the company launched four additional sub-brands: CoasterEveryday, CoasterEssence、CoasterElevations and CoasterSleep. These sub-brands enable Coaster to more effectively target consumers for building up Coaster brands recognition. In 2019, Coaster completed the redesign of its website, and invested in printed, digital and social medias advertisement. Coaster constantly improves efficiency in managing its supply chain and building product design talents. For sales channel enhancement, Coaster leverages its network of thousands of independent furniture retailers to deliver Coaster products and services in the U.S. Coaster maintains an adequate level of inventory, strengthen its competitiveness through healthy financial structure management to drive long-term profitable growth.

### 3. 預算執行情形、財務收支及獲利能力分析

#### **Review of budget implementation, analysis of receipt, expenditures, and profitability**

受到中美貿易摩擦增加關稅影響實際銷售成績，客思達 2019 年全年合併營收新台幣 11,737,383 千元，較前一年度減少 2.30%。此外，隨著聯名品牌之合作告一段落，2019 年第四季因促銷去化舊品庫存，全年毛利率自 2019 年前三季之 29.22% 下滑至 28.65%，惟仍較前一年度之毛利率 27.62% 增加。2019 年全年營業毛利新台幣 3,363,336 千元，較前一年度增加 1.35%。

The company's 2019 sales results were negatively impacted by the increase of tariff cost of China imported goods. The operating revenue of 2019 reached NT\$ 11.74 billion, down by 2.3% year-over-year. The gross margin in the first 3 quarters of 2019 reached to 29.22%, In connection with the phased out of co-branding project, in 4<sup>th</sup> quarter of 2019, Coaster disposed the co-brand inventory with substantial discounts. Nevertheless, Coaster reported 2019 annual gross margin of 28.65%, representing an increased gross margin from that of prior year of 27.62%. The gross profit of 2019 comes to NT\$3.36 billion, slightly increased 1.35% than that of the previous year.

2019 年全年合併營業費用新台幣 3,360,756 千元，較前一年度之新台幣 3,321,003 千元增加 1.20%，主要因推動 Coaster 自有系列商品進行網頁之改版設計及投入社群經營所增加之行銷費用。2019 年合併營業外收支為淨支出新台幣 122,188 千元，較前一年度增加 159.03%，主要因 2019 年初次試用國際財務報導準則第 16 號，認列租賃負債之利息新台幣 81,289 千元，致財務成本大幅提升。

The 2019 operating expense was NT\$ 3.36 billion, slightly increased by 1.20% from that of the previous year's NT\$ 3.32 billion. The increased selling expenses were partially contributed by investing on new web design and online social media advertisement. Comparing to that of prior year, the 2019 non-operating net expenses increased by 159.03% to NT\$122.19 million. This is mainly attributable to the adoption of new



accounting rule, IFRS 16, which requires the company recognized interest expense on lease liabilities of NT\$ 81.29 million, that reflects on the increase of finance cost.

2019 年全年稅前淨損約新台幣 119,608 千元，加計所得稅利益新台幣 47,382 千元，2019 年度稅後淨損 72,226 千元，年度稅後每股虧損 0.95 元。

The company reports a 2019 pre-tax loss of NT\$119.61 million, income tax benefit of NT\$47.38 million, with a net 2019 loss of NT\$72.23 million, and EPS -0.95.

#### 4. 研究發展狀況暨 2020 年營業計畫概要及未來發展策略

##### **Research and development status, business plan of year 2020 and future development strategy**

2019 年客思達專注於提升品牌識別度，2020 年雖面臨新冠疫情下的眾多挑戰，客思達管理團隊有決心因應，持續強化存貨供應鏈管理，更進一步地滲透開發銷售通路，提升營運效率，打造數位資料庫來推升決策系統分析之速度及能力。客思達並將加速實現線上到線下(O2O)新零售營運模式，透過線上(Online)網際網路推送 Coaster 品牌能見度，並連結全美數千家線下(Offline)實體零售家具商之實體服務，客思達有信心度過新冠肺炎疫情帶來的難關，並在新零售的時代，建立長期永續經營及建立獲利營運模式。

In 2019, Coaster focused on investing on brand recognition. It is expected that this year (2020) Coaster will be facing various negative impact of pandemic. In response, Coaster management has dedicated to strengthen the supply-chain inventory management, deeper penetrate sales channel development, elevate operation efficiency, building digitalized data warehouse to store internal and external data, further its ability on analyzing data to enhance the quality and speed of decision-making. Coaster will also speed up the implementation of its “O2O” (Online-to-Offline) new retailing business model, by more heavily promoting Coaster branding products on-line, and more closely connecting its thousands of local independent furniture retailers in providing off-line service to local consumers across the United States. Coaster is confident to overcome the challenges of Covid-19 pandemic and driving for a long-term sustainable and profitable operation under the new retailing era.

敬祝 各位 身體健康、萬事如意！

Chairperson: Lisa Kao

CEO: Michael Yeh

## **II. Company Profile**

### **1. Corporate History**

Established in February 1981, COA, Inc. (“Coaster USA”) is a subsidiary of Coaster group that imports furniture products from Asia factories for U.S. warehousing and distribution. Coaster’s head office is located at City of Santa Fe Springs (L.A., California), and has eight U.S. branches, two distribution centers, and several overseas QC offices. Coaster manages a reliable supply chain for furniture distribution and becomes a major supplier of U.S. furniture products.

Coaster's U.S. branches and distribution centers are located in City of Industry, California; City of Fontana, California; San Francisco, California; Atlanta, Georgia; New Jersey, Texas, and Florida. In connection with preparing for Taiwan initial public offering, on August 22, 2013, a Cayman company, Coaster International Co. Ltd. was established (“CIC” or “Coaster”). On January 6, 2014, after the completion of the restructuring, CIC became the group holding company, which owns all the operation entities of Coaster for Taiwan public listing.

Most of Coaster customers are based in North America, in particular, in the United States. Coaster provides assortments of furniture products with a selection of styles and affordable prices for purchase. Coaster’s major distribution channels include: (a) independent furniture retailers; (b) major U.S. ecommerce retailers, (c) regional furniture retail chain stores and, (d) interior and home designers.

Coaster offers innovative marketing and IT solutions to fulfill the unique requirements of its channel partners; including regional brick-and-mortar chain stores and ecommerce retailers. Coaster offers multiple brands to more effectively penetrate U.S. market: "Coaster" brand products are generally targeted at the mid-price range, and are available for all dealers to purchase. Coaster designs product lines for more affluent consumers (e.g., baby-boomer and senior generation X consumers). In 2019, Coaster introduced new and diverse collections with sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations. With multiple product lines, tailored solutions for distribution and marketing, Coaster is well-positioned to further penetrate U.S. furniture market.

Coaster sources a wide-range of furniture assortments from Asia manufactures for U.S. distribution. To ensure the stability of supply chain and quality of products, Coaster established overseas procurement offices and U.S. distribution warehouses. The primary functions of overseas procurement offices are to provide QC inspection, procurement coordination, ship scheduling, factory selection, and vendor evaluation. Coaster's overseas offices are located in China, Malaysia, Vietnam, and Taiwan.

To ensure timely delivery of merchandise to U.S. customers, Coaster established U.S. branch warehouses and distribution centers adjacent to major U.S. markets. Coaster develops IT platforms to facilitate furniture dealers purchasing Coaster products with convenience and efficiency. With these IT platforms, Coaster dealers can place orders with Coaster 24/7 and request the purchased merchandise shipped to designated locations (e.g., dealer stores or consumer homes). Coaster offers qualified dealers with credit and credit insurance. Based on the credit standings, qualified dealers are granted with credit facilities to purchase Coaster products.

## 2. Company History and Milestone Events

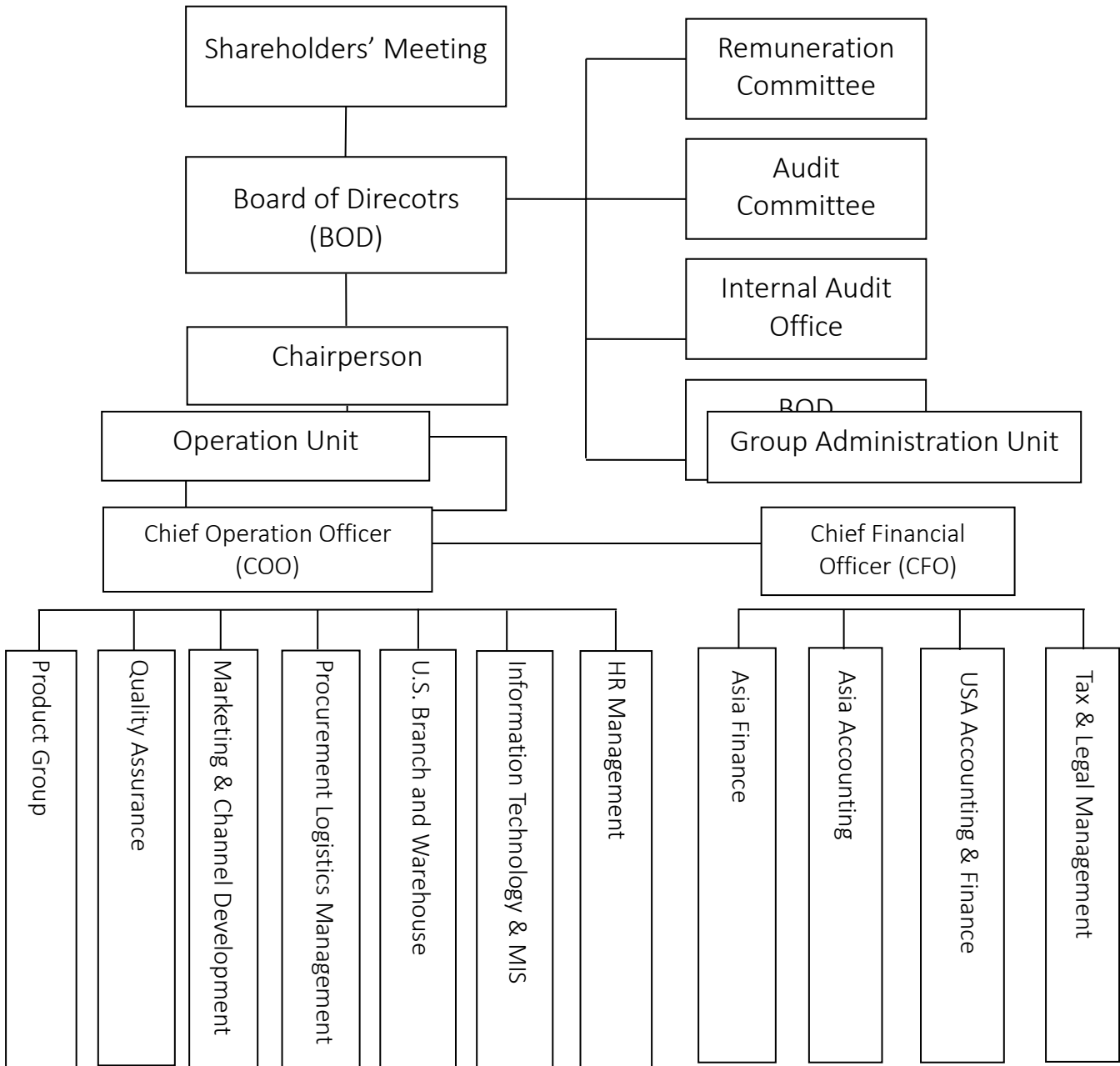
Date	Coaster Group Major Milestone Events:
Feb. 1981	COA Inc. established its headquarters and branch warehouse in Los Angeles County, California.
1985 to 1989	Established additional U.S. branch warehouses: Chicago branch (1985); New Jersey branch (1987); and Atlanta branch (1989).
1991 to 1994	Established additional U.S. branch warehouses: San Francisco branch (1991), Florida branch (1993), Texas branch (1994). Total U.S. warehouses space reached to 2,310,178 square feet, and office space reached to 128,346 square feet.
2006	Completed the installation of real-time Inventory management information systems at all U.S. warehouse locations.
2007	CFS (USA) was established. CFS developed tailored products for U.S. regional furniture dealers.
2010	Introduced new accent furniture product lines.
2012	Established COA Asia Inc. to provide the global logistics service and support the sales and marketing operations outside of the U.S.
2013	Adding a second U.S. distribution center in City of Fontana (LA County, California), with an additional warehouse space of 409,130 square feet. Total U.S. warehouse space reaches to 2,829,869 square feet.
	Established the group holding company: Coater International Co. Ltd. (CIC) . Preparation for Taiwan IPO.
2014	Introduced online-to-offline marketing initiative and developed an O2O platform CRC (Coaster Retail Connect). CRC IT platform promotes Coaster products with Online and Offline integrated marketing and sales solutions.
	Established an overseas warehouse in Vietnam.
	Installed the first automated re-packing system at City of Industry warehouse. This system provides efficiency on repacking Coaster products for ecommerce drop-ship.
	Established multi-channel furniture distribution network of U.S. independent furniture retailers, ecommerce retailers, and regional furniture chain stores.
2015	Installed additional automated re-packing machines at U.S. branch locations. Redesign the processing to improve the productivity. Coaster Company of America roll out the Donny Osmond Home collection.
2016	Coaster International Co. LTD, the group holding company, obtained approval and listed on Taiwan Stock Exchange.
2017	Internal merge between two subsidiaries. On July, 2017 the board of directors of COA,Inc., the major subsidiary of CIC, approved a merger with CFS(USA) , the subsidiary of CIC group. COA,Inc. is the surviving company. Coaster Co. of America and Scott Living launch a 300-plus-SKU of bedroom, dining room, upholstery and accent furniture at 2017 Winter Las Vegas Market.
2019	Introduce new and diverse collection with 3 New sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations.

## 3. Risk Management : Please refer to VII of this Annual Report.

### III. Corporate Governance Report

#### 1. Organization structure and major business units

##### 1.1 Organization structure



## 1.2 Major business units

Department	Primary Functions
Board of Directors (BOD)	Sets policy directives and establishes group business goals. Appoints and approves key managers to promote businesses. Grants Chairperson of the Board with execution authority in making operational decisions pursuant to the internal control policy of the company (i.e., Level of Authority).
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Establishes compensation policy, performance measurement standards and reward system for directors, supervisors and senior executives.</li> <li>2. Periodically reviews the adequateness of the compensation and reward structure of directors and senior executives.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>2. Assesses the effectiveness of the internal control system.</li> <li>3. Pursuant to Article 36-1 of the Securities and Exchange Act, adopts or amends the procedures on material financial or business activities; including the acquisition and disposition of assets, derivatives trading, lending of funds, and endorsements or provide a guarantee to others.</li> <li>4. Board resolutions in which a director is an interested party.</li> <li>5. Approval of asset transactions or derivatives trading with any material amounts.</li> <li>6. Approval of corporate lending, endorsements, pledge, and guarantor with any material financial impact.</li> <li>7. Approves the offering, issuance, or private placement of equity-type securities.</li> <li>8. The hiring or dismissal of a certified public accountant, and approval of audit service fees.</li> <li>9. The appointment and discharge of financial accountants or internal auditors.</li> <li>10. Reviews and approval of annual and semi-annual financial reports.</li> <li>11. Approves major resolutions submitted by corporate management or requested by regulatory authorities.</li> </ol>
Internal Audit Office	Assists the BOD and management team in formulating and revising internal control system. Conducts internal control compliance tests and reports the findings. Provides recommendations to continue enhancing the internal control system.
BOD Secretariat	Provides administrative supports to BOD affairs. Assists spokespersons on investor or news media inquiries. Cultivates healthy public relationship environment. Provides regulatory compliance supports.
President	Executes BOD resolutions and manages business operations. Provides leadership to the management team to obtain operation goals.

Department			Primary Functions
Group Administration Unit	CFO	Finance	Assists CFO in managing working capital funds, enhancing operation efficiency and cost saving.
		Account	Documents business transactions, records accounting entries, prepare financial statements. Establishes accounting and financial related internal control policies. Develops annual budget and conducts variance analysis. Prepares group consolidated financial statements.
		Tax & Legal Management	Reviews contracts and legal documents. Manages external legal counsels in trademark filing, litigation, and regulatory compliance. Conducts tax research, tax planning, and implementation. Assists tax accountants in tax return filing, tax audits, and tax accrual preparation.
Operation Unit	COO	Quality Assurance	Product QC inspection, procurement coordination, ship scheduling, factory selection, and vendor evaluation.
		Product Group	Analyzes the trend of U.S. furniture industry. Collects information on competing products. Designs new products and selects factories for production. Edits information in products catalog. Formulates product prices and discounts.
		Marketing & Channel Development	Assists the formulation and execution of marketing strategy for the development of additional distribution channels. Supports product department in organizing major U.S. furniture trade shows. Coordinates with the sales team in developing annual sales goals and monitors the sales performance.
		Procurement Logistics Management	Negotiates shipping contracts. Manages the process of containers allocation, shipping schedules, and import customs clearance.
		U.S. Branch and Warehouse Operations	Supervises U.S. branch services, the operation of branch warehouses and distribution centers. Manages call center customer and consumer services.
		Information Technology & MIS	Manages the planning, developing and maintenance of the group's information technology system, including the ERP system and related applications, database maintenance, computers and internet security setting and all other IT related affairs.
		HR Management	Manages the process of hiring, evaluation, promotion and replacement of employees in accordance with company HR policies and regulatory requirements. Negotiates with insurance service providers on welfare and fringe benefit programs offered to employees. Monitors the process of work-related injury documentation, reporting, workman insurance claim processing. Provides work-related safety training to employees. Develops management talent pools by offering internal and external training seminars, on-the-job training programs and job-rotation.

## 2. Directors and Management Team

### 2.1 Directors and supervisors

#### 2.1.1 Directors

2020/4/25 unit: share; %

Title	Name	Nationality	Gender	First Election Date	Election Date	Tenure (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager is a Spouse or Consanguinity within 2 degrees to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairperson	Lisa Kao	R.O.C	F	1981/2/21	2018/6/12	3	0	0	0	0	0	0	27,933,271	36.49	- Bachelor, School of Foreign Languages and Cultures, Soochow University, Taiwan - Funder of Coaster	- Executive director of COA, Inc.	VP	Janice Yeh	Mother and daughter
Director	Yeko LLC	U.S.A.	-	2015/10/23	2018/6/12	3	26,172,351	34.19	26,172,351	34.19	0	0	0	0	- KaiNan Vocational High School, Taiwan - Funder of Coaster	- President of Coaster - President of Coaster Group - North America Region - President of Coaster Group - Asia Region	VP	Janice Yeh	Father and daughter
	Representative : Michael P Yeh	R.O.C	M	1981/2/21	2018/6/12		0	0	0	0	0	0	12,141,715	15.86					
Director	Alexander Pan	R.O.C	M	2012/6/10	2018/6/12	3	86,000	0.11	180,000	0.24	0	0	0	0	- Ph.D. Business Administration, University of Southern California, USA - MBA. (Finance), University of Southern California, USA - Master of Business Taxation, University of Southern California, USA - Master (Economics), Soochow University, Taiwan - Partner, PricewaterhouseCoopers, LLP (USA) - Assistant Professor, Loyola	- CFO, CoA Inc. - CFO, Coaster International Co. Ltd.	--	--	--



Title	Name	Nationality	Gender	First Election Date	Election Date	Tenure (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager is a Spouse or Consanguinity within 2 degrees to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															<ul style="list-style-type: none"> <li>- Marymount University (USA)</li> <li>- Lecturer, MBA Program, University of Southern California.</li> <li>- Certified Public Accountant, USA</li> </ul>				
Director	Rong Zing Liu	R.O.C	M	2015/7/12	2018/6/12	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- Master of Business Administration, University of KANSAS, USA</li> <li>- CFO and Independent Supervisor of Alcor Micro, Corp.</li> </ul>	<ul style="list-style-type: none"> <li>- Managing Director of COA Asia, Inc.</li> <li>- Director of Alcor Micro Technology Corp.</li> </ul>	--	--	--
Independent Director	Hui-Erh Yuan	R.O.C	F	2015/7/12	2018/6/12	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- Master of Science in Accountancy, University of Missouri, USA</li> <li>- Master of Business Administration, Southern Illinois University, USA</li> <li>- Partner, PricewaterhouseCoopers Taiwan</li> <li>- Chairperson, PricewaterhouseCoopers Financial Advisory Services Consulting Company, Taiwan (普華國際財務顧問(股)公司).</li> <li>- Director, Certified Public Accountants Association of the Republic of China (Taipei) (中華民國北市會計師公會)</li> </ul>	<ul style="list-style-type: none"> <li>- Supervisor of Sheng Yen Education Foundation</li> <li>- Supervisor of Dharma Drum Mountain Buddhist Foundation (財團法人法鼓山佛教基金會).</li> </ul>	--	--	--

Title	Name	Nationality	Gender	First Election Date	Election Date	Tenure (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager is a Spouse or Consanguinity within 2 degrees to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Jong Rong Chen	R.O.C	M	2015/7/12	2018/6/12	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- Ph.D., Economics, University of North Carolina at Chapel Hill, USA</li> <li>- Director, Graduate Institute of Industrial Economics, National Central University, Taiwan</li> <li>- Visiting scholar, Institute of Economics, Academia Sinica, Taiwan</li> <li>- Visiting fellow, Center for Business and Government, Kennedy School of Government, Harvard University, USA</li> <li>- Visiting Research Fellow, Economic Research Center, School of Economics, Nagoya University, Japan</li> <li>- Chairman, Department of Economics, National Central University</li> </ul>	<ul style="list-style-type: none"> <li>- Professor, Graduate Institute of Industrial Economics, National Central University, Taiwan</li> <li>- Joint Appointment Research Fellow, Research Center for Humanities and Social Sciences, Academia Sinica, Taiwan</li> <li>- Adjunct Research Fellow, Public Economic Policy Research Center, School of Social Sciences, National Taiwan University</li> <li>- Board Member, Taiwan Economic Association</li> <li>- Board Member, Taiwan Association of Efficiency and Productivity</li> <li>- Executive Board member of the Asia Pacific Innovation Network, University of Melbourne, Australia</li> </ul>	--	--	--
Independent Director	Lung Zin Chi	R.O.C	M	2015/7/12	2018/6/12	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>- B.A. and M. A. in Department of Cinema and Audiovisual, University Paris III - Sorbonne Nouvelle, France</li> <li>- Director, Department of Radio, Television &amp; Film, Shih Hsin University, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>- Professor, Department of Radio, Television &amp; Film, Shih Hsin University, Taiwan</li> </ul>	--	--	--

Note 1: the total outstanding shares of the company as of October 23, 2015: 66,555,696 shares ; the total outstanding shares of the company as of April 25, 2020: 76,555,696 shares.

2.1.2 Supervisors

Not applicable.

2.1.3 Major shareholders of institutional shareholders

2020/4/25

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Yeko LLC	Lisa Kao (67.23%) 、Michael P Yeh (32.77%)

2.1.4 Major shareholders in Note 18 who are institutional investor and their major shareholders

Not applicable.

### 2.1.5 Professional Qualifications and Independence Analysis for Directors

Name	Item	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Independent Criteria ( Note )												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, Or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Lisa Kao			✓						✓				✓	✓	✓	✓	0
Yeko LLC (Representative : Michael P Yeh)			✓										✓	✓	✓		0
Alexander Pan	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Rong Zing Liu			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hui-Erh Yuan		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jong Rong Chen	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lung Zin Chi	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: "V" indicates qualified Directors during the two years before being elected or during the term of the appointment.

(1) Not an employee of the company or any of its affiliates;

(2) Not a director or supervisor of the company or any of its affiliates.;

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## 2.2 President, Vice Presidents, Senior Directors and Department Heads

2020/4/25

Title	Name	Nationality	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 <sup>nd</sup> Degree to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Michael P Yeh	R.O.C.	Male	1981/2/21	0	0	0	0	12,092,715	15.80	- KaiNan Vocational High School, Taiwan - Funder of Coaster	- President of Coaster - President of Coaster Group – North America Region (Note1) - President of Coaster Group – Asia Region (Note2)	VP	Janice Yeh	Father and daughter
CFO	Alexander Pan	R.O.C.	Male	2015/1/16	180,000	0.24	0	0	0	0	- Ph.D. Business Administration, University of Southern California, USA - MBA. (Finance), University of Southern California, USA - Master of Business Taxation, University of Southern California, USA - Master (Economics), Soochow University, Taiwan - Partner, PricewaterhouseCoopers, LLP (USA) - Assistant Professor, Loyola Marymount University (USA) - Lecturer, MBA Program, University of Southern California. - Certified Public Accountant, USA	- CFO, CoA Inc. - CFO, Coaster International Co. Ltd.	--	--	--
VP	Matthew Chen	U.S.A.	Male	1990/8/20	0	0	0	0	0	0	- M.S., Actuarial Science, University of Nebraska, Lincoln - M.S., Statistics, University of Akron, Ohio - Actuarial Analyst, Transamerica Life Insurance Company - Sr. Actuarial Analyst, State Farm Insurance Company	- Vice President of Administration and Human Resources, COA, Inc.	--	--	--
VP	Gene Korbut	U.S.A.	Male	2000/2/14	0	0	0	0	0	0	- B.A., Chinese Language and Literature, University of Massachusetts, USA - Distract Sales Manager, Cosco North America, Inc. - Assistant Manager, Evergreen America Corp.	- Vice President of Transportation, COA, Inc.	--	--	--

Title	Name	Nationality	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 <sup>nd</sup> Degree to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
VP	John Rodriguez	U.S.A.	Male	1990/1/29	0	0	0	0	0	0	- Assistant Sales, Marketing & Purchasing Manager, Scientific Sealing Technology	- Vice President of Operations, COA, Inc.	--	--	--
VP	Steve Goldsmith	U.S.A.	Male	1993/2/24	0	0	0	0	0	0	- B.A.in Business Administration, Florida Atlantic University, USA - General Manager, FMUSA Management Corp. - Manager, Door Store Furniture	- Vice President of Branch Operations, COA, Inc.	--	--	--
VP	Crystal Nguyen	U.S.A.	Female	2013/9/16	0	0	0	0	0	0	- B. A. of Fashion Institute of Design & Merchandising (FIDM), Los Angeles, CA, USA - Vice President of Product Development, A-America, Inc. - Vice President of Retail, Wholesale Product Development & Design, HOME Furniture	- Vice President of Product Department, COA, Inc.	--	--	--
VP (Note 3)	Janice Yeh	U.S.A.	Female	2009/4/1	0	0	0	0	0 (Note3)	0	- Bachelor, University of California, San Diego, USA	- Senior Director of Product Department (Quality Assurance)	President	Michael P Yeh	Father and daughter
VP (Note 4)	Donald Alan Deeds	U.S.A.	Male	2019/11/11	0	0	0	0	2,000	0	- Merchandise Manager of EasyLife Furniture Inc. - Associate degree, Oranmental Horticulture, Saddleback College				
Chief Auditor	Elsa Chiao	R.O.C.	Female	2016/5/6	10,000	0.01	0	0	0	0	- Bachelor, Department of Accounting, Chinese Culture University, Taiwan - Certified Internal Auditor · CIA	- Chief Auditor of COA, Inc. - Chief Auditor of COA Asia, Inc.	--	--	--

Note 1 : Including: COA, Inc., Deliverall Logistics, Inc., and CFS Global, Inc

Note 2 : Including: COA Asia, Inc., Ye Hey (Malaysia) Logistics Service SDN BHD, Coaster Furniture (Asia) Service Holdings Ltd., Ye Hey Taiwan Logistics Service Ltd., Ye Hey Holding Co. Ltd., Coaster Furniture Service (KunShan) Advisory Company and Ye Hey (ShenZhen) Logistics Service Company

Note 3 : The manager was promoted as the VP of Operation on 2019/11/11. “The shareholding in the name of others” of the manager does not satisfies the qualifications in Article 2 of the Securities and Exchange Act Enforcement Rules : “be entitled to manage, utilize, or dispose the stocks held under the name of such third parties”, so disclosed as “o”.

Note 4 : Newly-appointed VP on 2019/11/11.



### 3. Remuneration to Directors, Supervisors, President, and Vice Presidents

#### 3.1 Remuneration to Directors, Supervisors, President, and Vice Presidents

##### 3.1.1 Remuneration to Directors

2019/12/31; NT\$'000

2019/12/31, 11:53:00

Title	Name	Remuneration to Directors								(A+B+C+D) Percentage of net income after tax (%)		Remuneration to Concurrent Employment								(A+B+C+D+E+F+G) Percentage of net income after tax (%)		Other Remunerat ion from Non-conso lidated Affiliates or Parent Company
		Compensation (A)		Pension Fund (B)		Directors remuneration (C)		Operating allowance (D)				Salary, bonus, special allowance (E)		Pension Fund (F)		Remuneration to employees (G)						
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated	
Chairman	Lisa Kao	445	445	0	0	0	0	0	4	-0.62	-0.62	0	17,002	0	698	0	0	0	0	-0.62	-25.13	0
Director	Yeko LLC (Representative : Michael P Yeh)	445	445	0	0	0	0	0	4	-0.62	-0.62	0	14,604	0	584	0	0	0	0	-0.62	-21.65	0
Director	Alexander Pan	445	445	0	0	0	0	2	6	-0.62	-0.62	3,007	8,151	108	332	0	0	0	0	-4.93	-12.37	0
Director	Rong Zing Liu	445	445	0	0	0	0	6	6	-0.62	-0.62	0	0	0	0	0	0	0	0	-0.62	-0.62	0
Independent Director	Hui-Erh Yuan	504	504	0	0	0	0	8	8	-0.71	-0.71	0	0	0	0	0	0	0	0	-0.71	-0.71	0
Independent Director	Jong Rong Chen	504	504	0	0	0	0	6	6	-0.71	-0.71	0	0	0	0	0	0	0	0	-0.71	-0.71	0
Independent Director	Lung Zin Chi	504	504	0	0	0	0	2	2	-0.70	-0.70	0	0	0	0	0	0	0	0	-0.70	-0.70	0

- Please describe the payment policy, systems, standards and constructions of Independent Directors, their relevance between payment of compensation and taking responsibility, risks, investing time and so on:  
The compensation of independent Directors is determined and paid in accordance to the level of participation and contribution to business operations of the Company, moreover, the compensation also pay as functional committee's convener or member.
- Other than disclosure in above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to Coaster and all consolidated entities in the 2019 financial statements: None.

### Escalation for Remuneration to Directors

Escalation for remuneration paid to individual directors of the Company (NTD)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Less than 1,000,000	Lisa Kao 、Yeko LLC(Representative : Michael P Yeh) 、Alexander Pan 、Rong Zing Liu 、Hui-Erh Yuan 、Jong Rong Chen 、Lung Zin Chi	Lisa Kao 、Yeko LLC(Representative : Michael P Yeh) 、Alexander Pan 、Rong Zing Liu 、Hui-Erh Yuan 、Jong Rong Chen 、Lung Zin Chi	Lisa Kao 、Yeko LLC(Representative : Michael P Yeh) 、Rong Zing Liu 、Hui-Erh Yuan 、Jong Rong Chen 、Lung Zin Chi	Rong Zing Liu 、Hui-Erh Yuan 、Jong Rong Chen 、Lung Zin Chi
1,000,000 ~ 2,000,000 ( not inclusive of 2,000,000 )	-	-	-	-
2,000,000 ~ 3,500,000 ( not inclusive of 3,500,000 )	-	-	-	-
3,500,000 ~ 5,000,000 ( not inclusive of 5,000,000 )			Alexander Pan	-
5,000,000 ~ 10,000,000 ( not inclusive of 5,000,000 )	-	-	-	Alexander Pan
10,000,000 ~ 15,000,000 ( not inclusive of 10,000,000 )	-	-	-	-
15,000,000 ~ 30,000,000 ( not inclusive of 15,000,000 )	-	-	-	Lisa Kao 、Yeko LLC (Representative : Michael P Yeh)
30,000,000 ~ 50,000,000 ( not inclusive of 50,000,000 )	-	-	-	-
50,000,000 ~ 100,000,000 ( not inclusive of 100,000,000 )	-	-	-	-
More than 100,000,000	-	-	-	-
Total	7	7	7	7

### 3.1.2 Remuneration to Supervisors

Not applicable.

### 3.1.3 Remuneration Paid to President and Vice Presidents

2019/12/31; NT\$'000

Title	Name	Salary(A)		Pension Fund (B)		Bonus and special allowance(C)		Bonus to employees from distribution of earnings (D)				(A+B+C+D) Percentage of net income after tax (%)		Other Remuneration from Non-consolidated Affiliates or Parent Company
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Michael P Yeh	0	14,604	0	584	0	4	0	0	0	0	0.00	-21.03	0
CFO	Alexander Pan	3,007	8,151	108	332	0	6	0	0	0	0	-4.31	-11.75	0
VP	Matthew Chen	0	5,021	0	216	0	375	0	0	0	0	0.00	-7.77	0
VP	Gene Korbut	0	4,967	0	198	0	468	0	0	0	0	0.00	-7.80	0
VP	John Rodriguez	0	3,163	0	127	0	190	0	0	0	0	0.00	-4.82	0
VP	Steve Goldsmith	0	4,515	0	181	0	535	0	0	0	0	0.00	-7.24	0
VP	Crystal Nguyen	0	4,967	0	254	0	1,396	0	0	0	0	0.00	-9.16	0
VP (Note 1)	Janice Yeh	0	2,796	0	125	0	344	0	0	0	0	0.00	-4.52	0
VP (Note 1)	Donald Alan Deeds	0	4,352	0	174	0	4	0	0	0	0	0.00	-6.27	0

Note1 : Promoted and newly-appointed on 2019/11/11.

### Escalation for Remuneration to President and Vice President

Escalation for remuneration paid to President and Vice President of the Company (NTD)	The Name of President and Vice President	
	The Company	All companies in the consolidated statement
Less than 1,000,000	-	-
1,000,000 ~ 2,000,000 ( not inclusive of 2,000,000 )	-	-
2,000,000 ~ 3,500,000 ( not inclusive of 3,500,000 )	Alexander Pan	John Rodriguez, Janice Yeh
3,500,000 ~ 5,000,000 ( not inclusive of 5,000,000 )		Donald Alan Deeds
5,000,000 ~ 10,000,000 ( not inclusive of 5,000,000 )	-	Alexander Pan, Matthew Chen, Steve Goldsmith, Gene Korbut, Crystal Nguyen
10,000,000 ~ 15,000,000 ( not inclusive of 10,000,000 )	-	-
15,000,000 ~ 30,000,000 ( not inclusive of 15,000,000 )	-	Michael P Yeh
30,000,000 ~ 50,000,000 ( not inclusive of 50,000,000 )	-	-
50,000,000 ~ 100,000,000 ( not inclusive of 100,000,000 )	-	-
More than 100,000,000	-	-
Total	1	9

### 3.1.4 Individual Rremuneration to Top Five Management Personnel

Title	Name	Salary(A)		Pension Fund (B)		Bonus and special allowance(C)		Bonus to employees from distribution of earnings (D)				(A+B+C+D) Percentage of net income after tax (%)		Other Remuneration from Non-consolidated Affiliates or Parent Company
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Michael P Yeh	0	14,604	0	584	0	4	0	0	0	0	0.00	-21.03	0
CFO	Alexander Pan	3,007	8,151	108	332	0	6	0	0	0	0	-4.31	-11.75	0
VP	Crystal Nguyen	0	4,967	0	254	0	1,396	0	0	0	0	0.00	-9.16	0
VP	Gene Korbut	0	4,967	0	198	0	468	0	0	0	0	0.00	-7.80	0
VP	Matthew Chen	0	5,021	0	216	0	375	0	0	0	0	0.00	-7.77	0

### 3.1.5 Remuneration to President, Vice President and Senior Director

NT\$'000

	Title	Name	Stock bonus	Cash bonus	Total	Percentage of Net income after tax (%)
Executive Officer	President	Michael P Yeh	0	0	0	0
	CFO	Alexander Pan				
	VP	Matthew Chen				
	VP	Gene Korbut				
	VP	John Rodriguez				
	VP	Steve Goldsmith				
	VP	Crystal Nguyen				
	VP (Note1)	Janice Yeh				
	VP (Note1)	Donald Alan Deeds				
	Chief Auditor	Elsa Chiao				

Note1 : Promoted and newly-appointed on 2019/11/11.

3.2 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure :

3.2.1 The percentage of remuneration paid to the Board of Directors, President and Vice Presidents over net income after tax in recent 2 years:

NT\$'000

Remuneration	2018				2019			
	Amount		%		Amount		%	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Directors	3,271	3,283	-14.90	-14.96	3,317	3,328	-4.59	-4.61
President and Vice President	3,029	45,538	-13.80	-221.14	3,115	58,048	-4.31	-80.37

The percentage of remuneration paid to the Board of Directors over net income after tax in 2019 and 2018 is -4.61% and -14.96%, the net loss after tax of 2019 caused a negative percentage of remuneration paid to the Board of Directors.

The percentage of remuneration paid to President, CFO and Vice Presidents over net income after tax in 2019 and 2018 is -80.37% and 211.14%, , the net loss after tax of 2019 caused a negative percentage of remuneration paid to President, CFO and Vice Presidents.

### 3.2.2 The policy, criteria, composition and process to set the remuneration and the correlation with operational performance and future risk:

- (1) Compensation of directors is determined and paid in accordance to the level of participation and contribution to business operations of the Company by the director in the said position, and with reference to the salary level of global industry standards.
- (2) Compensation of President, CFO and Vice Presidents is determined according to the position, working years, contribution made to the Company and with reference to industry standards, and processed according to Company HR bylaws.
- (3) In summary, the compensation policy of directors, President, CFO and Vice Presidents is in positive relation to business performance of the company, and will creates a long-term value for our shareholders.

## 4. Implementation of Corporate Governance

### 4.1 Board of Directors

4.1.1. There are 7 meetings of the Board of Directors held in the period from January 1, 2019 to the annual report printing date. Directors' attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Notes
Chairman	Lisa Kao	7	0	100	Re-elected on the date of 2018/6/12
Director	Yeko LLC	7	0	100	Re-elected on the date of 2018/6/12
	Representative : Michael P Yeh				
Director	Alexander Pan	7	0	100	Re-elected on the date of 2018/6/12
Director	Rong Zing Liu	7	0	100	Re-elected on the date of 2018/6/12
Independent Director	Hui-Erh Yuan	7	0	100	Re-elected on the date of 2018/6/12
Independent Director	Jong Rong Chen	6	0	86	Re-elected on the date of 2018/6/12
Independent Director	Lung Zin Chi	7	0	100	Re-elected on the date of 2018/6/12



#### 4.1.2. Other mentionable items :

(1) Should any circumstance described in Article 14-3 of the Securities and Exchange Act and any resolution on which an independent director had a dissenting or qualified opinion occur in board meetings, the dates and sessions of the said board meetings, the contents of the said resolutions, opinions of all independent directors, and measures the Company had in responding to such opinions shall be specified

Meetings of the 1 <sup>st</sup> Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
The 4 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (March 28, 2019)	1. Business Report and the Consolidated Financial Statements for the year ended December 31, 2018.	✓	None
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018.	✓	None
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None
	4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31)	✓	None
	5. Amendment to the 'Operational procedures for Acquisition and Disposal of Assets', 'Operational Procedures for Derivatives Trading', 'Operational Procedures for Loaning of Company Funds' and 'Operational Procedures for Endorsements and Guarantees'.	✓	None
	6. Amendment to the "Procedural Rules of Board Meetings"	✓	None
	7. Amendment to the "Memorandum and Articles" of the Company.	✓	None
	8. The dates, agenda of the Company's 2019 Annual Shareholders' Meeting.	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 5 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (May 05, 2019)	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 5 million.	✓	None
	2. Amendment to the "Procedural Rules of Board Meetings"	✓	None
	3. Information of convening a regular shareholders meeting to handle shareholder proposals, and the Format of Proxies for Attendance at Shareholder Meeting.	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 6 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (Aug 07, 2019)	1. To discuss and approve the Q2 2019 consolidated financial statements.	✓	None
	2. To discuss and approve the capital lending to COA, Inc., with a maximum amount of US\$ 3 million.	✓	None
	3. Amendment to the "Internal Control System" of the Company.	✓	None
	Independent director's opinions: None.		

Meetings of the 1 <sup>st</sup> Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 7 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (Nov 08, 2019)	1. To discuss and approve the engagement of the PWC CPA firm and the audit fees of 2019.	✓	None
	2. Year 2020 Audit Plan.	✓	None
	3. The Company's 2020 business plan and budget.	✓	None
	4. COA, Inc. to apply for credit line from the related parties of the company.	✓	None
	5. Compensation for Managers.	✓	None
	6. The amendment to "Self-Evaluation or Peer Evaluation of the Board of Directors"	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 8 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (March 27, 2020)	1. Business Report and the Consolidated Financial Statements for the year ended December 31, 2019.	✓	None
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2019.	✓	None
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None
	4. The Declaration of Internal Control System of the Company (2019/1/1~2019/12/31)	✓	None
	5. Amendment to the 'Rules of Audit Committee', 'Procedural Rules for Salaries and Remuneration Committee', 'Procedural Rules of Board Meetings', 'Procedural Rules of General Meetings', 'Procedures for Ethical Management', 'Corporate Governance Best Practice Principles.	✓	None
	6. Amendment to the Company's current Memorandum and Articles of Association ("AOA")	✓	None
	7. Information of convening 2020 annual shareholders meeting.	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 9 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term (May 15, 2020)	1. The inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 6 million.	✓	None
	2. COA, Inc. to change its credit line from the related parties of the company.	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 10 <sup>th</sup> Meeting of the 2 <sup>th</sup> Term	1. COA, Inc. to apply for loan from the related parties of the company.	✓	None
	Independent director's opinions: None.		
	Measures the Company take to respond to independent director's opinions: Not applicable.		

Meetings of the 1 <sup>st</sup> Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
(May 28, 2020)	Resolution: Approved by all attending Directors without objection.		

(2) Any Directors avoidance of motions due to conflict of interests, including the Directors' names, the content of the motions and the causes for avoidance and voting:

A. Board Meeting (November 8, 2019)

Content : COA, Inc. to apply for credit line from the related parties of the company and Compensation for Managers.

Directors who are interested party respected to above proposals have recused themselves from the discussion and voting.

B. Board Meeting (May 15, 2020)

Content : COA, Inc. to change its credit line from the related parties of the company.

Directors who are interested party respected to above proposals have recused themselves from the discussion and voting.

C. Board Meeting (May 28, 2020)

Content : COA, Inc. to apply for loan from the related parties of the company.

Directors who are interested party respected to above proposals have recused themselves from the discussion and voting.

(3) Disclosure of how the board performance evaluation has been conducted each year, with a description of the evaluation method provided:

Description of the Evaluation Method				
Evaluation Cycle	Evaluation Periods	Evaluation Scope	Evaluation Method	Content of Evaluation
Once a year	Year 2019	Board of Directors Board Members Functional Committees	Internal evaluation of the board, Self-evaluation by individual board members, Peer evaluation	Note

Note: The criteria for evaluating the performance cover the following aspects:

No.	Scope of Evaluation			
	Board of Directors	Board Members	Functional Committees	Functional Committees
A	Participation in the operation of the company;	Alignment of the goals and missions of the company;	Participation in the operation of the company;	Participation in the operation of the company;

No.	Scope of Evaluation			
	Board of Directors	Board Members	Functional Committees	Functional Committees
B	Improvement of the quality of the board of directors' decision making;	Awareness of the duties of a director;	Awareness of the duties of the functional committee	Awareness of the duties of the functional committee
C	Composition and structure of the board of directors;	Participation in the operation of the company;	Improvement of quality of decisions made by the functional committee	Improvement of quality of decisions made by the functional committee
D	Election and continuing education of the directors;	Management of internal relationship and communication;	Makeup of the functional committee and election of its members	Makeup of the functional committee and election of its members
E	Internal control.	The director's professionalism and continuing education;	Internal control.	--
F	--	Internal control.	--	--

(4) Objectives of how to strengthen the powers of the board of directors, and the summary:

A. Objectives of how to strengthen the powers of the board of directors”

- a. The board of directors has established and implemented “Rules of Procedure for Board of Directors Meetings” and “Self-Evaluation or Peer Evaluation of the Board of Directors.”
- b. The audit committee has been established to strengthen the power of board of directors on corporate governance.
- c. The Remuneration Committee has been established to evaluate the systems for compensation of the company, then submit recommendations to the board of directors for its reference in decision making; the committee periodically review the structure for the compensation of directors and managerial officers of the company.
- d. The company periodically arranges directors to take professional training courses to maintain their core values and professional edge and ability.
- e. The company’s board of directors and individual directors conduct an internal board performance evaluation every year.
- f. To improve the transparency of information disclosure: the company has set up “Area for Interested Parties” on the corporate website, and updates relevant information of the company on Market Observation Post System.

B. Summary

- a. The Remuneration Committee of the company has been established at 2015/7/12, the committee consists of 3 independent directors.
- b. The board of directors were re-elected in 2019. All members of the

board completed at least 6 hours continuing education, please check **P. 36** for detail.

- c. The results of performance assessments to the board of directors are submit to the board of 2020/3/27 and will be reference in determining compensation for individual directors, their nomination and additional office term.
- d. The company has instantly disclosed material resolutions of the board after board meeting, with updated information disclosre on “Area for Interested Parties” of the corporate website, to provide relevant financial and operational information to interested parties.

#### 4.2 Execution Status of the Audit Committee Participation in the Board Meetings

4.2.1. Holding **6** times (A) of Audit Committee Meetings held in year 2019 and the period from January 1, 2020 to the annual report printing date, the attendance status of Independent Directors in the year and recent year

Title	Name	Times of Attendance	Proxy	Actual Percentage of Attendance %	Remark
Chairman	Hui-Erh Yuan	6	0	100	Re-elected on the date of 2018/6/12
Member	Jong Rong Chen	5	0	83	Re-elected on the date of 2018/6/12
Member	Lung Zin Chi	6	0	100	Re-elected on the date of 2018/6/12

#### 4.2.2. Other matters of importance:

- (1) There was on other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors. Resolutions related to Securities and Exchange Act §14-5 as following:

Meetings of the 2 <sup>nd</sup> Audit Committee	The Contents of Meeting	Article 14-5	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
The 3th Meeting of the 2th Term (March 28, 2019)	1. 2018 Business Report and the Consolidated Financial Statements for the year ended December 31, 2018.	✓	None
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018.	✓	None
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None
	4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31)	✓	None
	5. Amendment to the ‘Operational procedures	✓	None

Meetings of the 2 <sup>nd</sup> Audit Committee	The Contents of Meeting	Article 14-5	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
	for Acquisition and Disposal of Assets’, ‘Operational Procedures for Derivatives Trading’, ‘Operational Procedures for Loaning of Company Funds’ and ‘Operational Procedures for Endorsements and Guarantees’.		
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
The 4 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (May 10, 2019)	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 5 million.	✓	None
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
The 5 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (August 7, 2019)	1. To discuss and approve the Q2 2019 consolidated financial statements.	✓	None
	2. To discuss and approve the capital lending to COA, Inc., with a maximum amount of US\$ 3 million.	✓	None
	3. Amendment to the “Internal Control System” of the Company.	✓	None
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
The 6 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (November 8, 2019)	1. To discuss and approve the engagement of the PWC CPA firm and the audit fees of 2019.	✓	None
	2. Year 2020 Audit Plan.	✓	None
	3. The Company’s 2020 business plan and budget.		
	4. COA, Inc. to apply for credit line from the related parties of the company.	✓	None
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 7 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (March 27, 2020)	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
	1. Business Report and the Consolidated Financial Statements for the year ended December 31, 2019.	✓	None
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2019.	✓	None
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None
	4. The Declaration of Internal Control System of the Company (2019/1/1~2019/12/31)	✓	None
	Opinions from the Audit Committee members: None.		

Meetings of the 2 <sup>nd</sup> Audit Committee	The Contents of Meeting	Article 14-5	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
The 8 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (May 15, 2020)	1. The inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 6 million.	✓	None
	2. COA, Inc. to change its credit line from the related parties of the company.	✓	None
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		
The 9 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (May 28, 2020)	1. COA, Inc. to apply for loan from the related parties of the company.	✓	None
	Opinions from the Audit Committee members: None.		
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
	Resolution made by the Audit Committee: Proposed to Audit Committee and be approved by all attending independent directors without objection.		

- (2) If there is Independent Director' avoidance of motions in conflict of interest, should specify the Independent Directors' names, contents of motions, causes for avoidance and voting: None.
- (3) Communications among Independent Directors and the Company's Chief Auditor and CPA (ex: Result and communication of Financial update, and business update)
- Internal Audit team delivers audit reports (or tracking reports) to be reviewed by Audit Committee members in the month following completion of items to be audited (or to be tracked).
  - The company's Chief Auditor periodically report to Audit Committee members on the results of annual audit operations and self-inspections of the internal control system, and to provide appropriate improvement suggestions, as well as to drive continuous improvement.
  - The company's Chief Auditor (or assignee) attends Board Meetings each quarter to report results of audit operations.
  - The company's Chief Auditor directly communicate with independent directors.
  - The CPA firm periodically report to Audit Committee members on the findings and major adjusting entries of auditing financial statements of the company, with update of the relevant amendment of International Financial Reporting Standard.



#### 4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		COASTER has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and disclosed it on Company website.	None
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) In addition to the existing hotline and email communication channels, COASTER has dedicated staff to handle the suggestions, disputes, and inquiries, etc. from the shareholders.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) COASTER provides a shareholder roster via a shareholder service agency, and controls the declaration system of shareholding changes of insiders.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) COASTER has established an Operating Procedure for Transactions Among Interested Parties, Special Companies and Group Enterprises and strictly complies with it.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) COASTER has established Directions for Prevention of Insider Trading and its compliance is closely monitored. In addition, the Company regularly provides internal staff training on this topic.	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		(1) Regarding the diversified composition of the board of directors, the new candidates nominated by the existing board of directors are presented during the shareholders’ meeting for election. Diversity is one of the critical aspects for nomination consideration. Current board members all have professional expertise either in the relevant industries or in business operation and finance.	None
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		(2) COASTER has not set up functional committees other than the Remuneration Committee and the Audit	

	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors’ remuneration and renewal?</p> <p>(4) Does the Company regularly evaluate its external auditors’ independence?</p>	<p>✓</p> <p>✓</p>		<p>Committee.</p> <p>(3) COASTER has establish the performance evaluation methods of the board of directors at 2018/3/23. The 2019 results of performance has been reported to the Board of Directors on 2020/3/27.</p> <p>(4) The Company annually evaluates the independence of external auditors, and report to Audit Committee and Board of Directors at 2020/3/27.</p>	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	✓		COASTER has designated the Secretary of the Board of Directors to handle the relevant matters for corporate governance. The meeting minutes of shareholders meetings, board meetings and meetings of committees were prepared by the shareholder services units, with the application of incorporation and registration is reviewed by Tax & Legal Management, kept by the shareholder services units.	None
5. Does the company establish a communication channel and build a designated section on its website for interested parties (including but not limited to shareholders, employees, customers and suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>1. COASTER assign Spokesperson, Deputy Spokesperson and Local Designated Agent as a communication channel with interested parties.</p> <p>2. COASTER values the importance of communication with interested parties (including but not limited to shareholders, employees, customers and suppliers, etc.) and keeps balance on rights and obligations between each interested parties. There is an “Area for Interested Parties” on the corporate website, related parties could contact the company via email: <a href="mailto:2936.ir@coastergroup.com">2936.ir@coastergroup.com</a>.</p> <p>3. The corporate governance related procedures, material resolutions of board meetings, and material information of the company were disclosed on the corporate website -- “Area for Corporate Governance”, for investors to download.</p>	None

	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		COASTER designates China Trust Commercial Bank Stock Transfer Agency Service deal with shareholder affairs.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		(1) COASTER has set up a Chinese website ( <a href="http://www.coasterinternational.com/">http://www.coasterinternational.com/</a> ) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(2) COASTER has established a spokesman system : Spokesperson, Deputy Spokesperson are to reply investors questions and investor representative to handle information collection and disclosure. Investor conference information is disclosed on the corporate website.	
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓		(3) COASTER follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline.	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Directors and independent directors’ attendance in continuing education and training were following laws and regulations. (2) Except special cases, board members and independent board members all attended board meetings. Directors who are interested party due to conflict of interests have recused themselves from the discussion and voting. (3) COASTER has taken out D&O insurance for Directors for 2019 and posted on MOPS.	None
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange In the 6 <sup>th</sup> Corporate Governance Ecaluation, the company has improved: the company has established an organizational structure for information risk management, with specific measures for implementation of Information security policy, which shall score in the 7 <sup>th</sup> Corporate Governance Ecaluation. For other non-scoring items: to establish the board diversity policy, disclose the implementation of board diversity policy and disclosure the status on annual report and company website, the company will plan on the implementation.				

Note 1 The members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgements.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Note 1-2 Performance regarding whether the composition of the board of directors meets the requirements of diversification

Name of Director	Nationality	Gender	Professional Background and Decision-making Capacity							
			營運判斷能力 Ability to make operational judgements	會計與財務分析能力 Ability to perform accounting and financial analysis	經營管理能力 Ability to conduct management administration	危機處理能力 Ability to conduct crisis management	產業知識 Knowledge of the industry	國際市場觀 An international market perspective	領導能力 Ability to lead	決策能力 Ability to make policy decisions
Lisa Kao	R.O.C.	F	✓		✓	✓	✓	✓	✓	✓
Michael P Yeh	R.O.C.	M	✓		✓	✓	✓	✓	✓	✓
Alexander Pan	R.O.C.	M	✓	✓	✓	✓	✓	✓	✓	✓
Rong Zing Liu	R.O.C.	M	✓	✓	✓	✓	✓	✓		✓
Hui-Erh Yuan	R.O.C.	F	✓	✓	✓	✓	✓	✓	✓	✓
Jong Rong Chen	R.O.C.	M	✓	✓		✓	✓	✓		✓
Lung Zin Chi	R.O.C.	M	✓			✓	✓	✓		✓

Note 1-3 The company has 7 board members, 2 of the directors serve concurrently as an employee or managerial officer (29%), 3 independent directors (43%) and 1 female direct (29%). Term of office 3~6 years.

Note 1-4 Each Director's Experience in the industry and Professional Ability:

Experience in the industry and Professional Ability	Marketing	Management	Accounting/Financial Analysis	Knowledge of the Industry	Ecommerce and Design
Lisa Kao	✓	✓		✓	
Michael P Yeh	✓			✓	
Alexander Pan			✓		
Rong Zing Liu		✓	✓		
Hui-Erh Yuan		✓	✓		
Jong Rong Chen				✓	
Lung Zin Chi					✓

Note 2 CPAs' independence and competency

獨立性運作審查(以下任一項勾選"否"者, 應進一步了解具體事實)

Assessment of the CPA's independence

項次 No.	評核內容 Evaluation Item	請勾選 Please check			是否符合獨立性 Qualify for Independence
		是 Yes	否 No	N/A	
1	會計師對於委辦事項與其本身有直接或重大間接利害關係而影響其公正及獨立性時, 已迴避而未承辦。 Whether the certified public accounts not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence?	✓			Yes
2	會計師提供財務報表之查核、核閱、複核或專案審查並作成意見書時, 除維持實質上之獨立性外, 亦維持形式上之獨立性。 Whether certified public accounts can maintain independence in substance and form for audition, perusal, recheck, or special inspection of financial statements before offering opinions?	✓			Yes
3	審計服務小組成員、其他共同執業會計師或法人會計師事務所股東、會計師事務所、事務所關係企業及聯盟事務所, 亦對本公司維持獨立性。 Whether members of auditing service panel, other certified public accountants with joint practice or shareholders of legal firms, legal firms, affiliates of legal firms, or allied legal	✓			Yes

獨立性運作審查(以下任一項勾選”否”者, 應進一步了解具體事實) Assessment of the CPA's independence					
項次 No.	評核內容 Evaluation Item	請勾選 Please check			是否符合獨立性 Qualify for Independence
		是 Yes	否 No	N/A	
	firms can keep independence with the company?				
4	會計師以正直嚴謹之態度, 執行專業之服務。 Whether certified public accountants carry out professional service in upright and rigorous manner?	✓			Yes
5	會計師於執行專業服務時, 維持公正客觀立場, 亦已避免因偏見、利害衝突或利害關係而影響專業判斷。 Whether certified public accountants can keep fair and objective stance, avoiding influence of prejudice, conflicting interest, or relationship of interest on professional judgement?	✓			Yes
6	會計師並無因缺乏或喪失獨立性, 而影響正直及公正客觀之立場。 Whether certified public accountant(s) isn't/aren't in the lack/impairment of independence and thus affects his/her integrity and objectivity?	✓			Yes

#### 4.4 Corporate Governance Guidelines and Regulations

The company has the following corporate governance guidelines and regulations in place, please refer to the Company's website at <http://coasterinternational.com/co.htm>.

#### 4.5 Other Important Corporate Governance Information

4.5.1 The Company Amendment to “Procedures for Handling Material Inside Information” at 2018/3/23, these Procedures are specially adopted to establish sound mechanisms for the handling and disclosure of material inside information by this Corporation, in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by this Corporation to the public.

#### 4.5.2 Directors Profession Enhancement Status

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Independent Director	Jong Rong Chen	2019/12/19	社團法人中華公司治理協會 Taiwan Corporate Governance	數位經濟時代, 企業如何創新 突破獲利能力	3

Title	Name	Date	Organizing agency	Training/Speech title	Hours
			Association		
		2019/11/06	台灣證券交易所 Taiwan Stock Exchange Corporation	有效發揮董事職能宣導會	3
Director	Alexander Pan	2019/12/19	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討(下)-美 中衝突與 2019 觀察	3
		2019/11/22	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討	3
		2019/06/18	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation in Taiwan	數位經濟時代下之內稽內控實務	3
Director (Representative)	Michael P Yeh	2019/12/19	社團法人中華公司治理協會 Taiwan Corporate Governance Association	數位經濟時代，企業如何創新突破獲利能力	3
		2019/11/22	社團法人中華公司治理協會 Taiwan Corporate Governance Association	工業 4.0 與企業如何領導創新轉型	3
Director	Rong Zing Liu	2019/11/06	台灣證券交易所 Taiwan Stock Exchange Corporation	有效發揮董事職能宣導會	3
		2019/10/08	台灣證券交易所 Taiwan Stock Exchange Corporation	ESG 投資論壇	3
Director	Lisa Kao	2019/12/19	社團法人中華公司治理協會 Taiwan Corporate Governance Association	數位經濟時代，企業如何創新突破獲利能力	3
		2019/11/22	社團法人中華公司治理協會 Taiwan Corporate Governance Association	工業 4.0 與企業如何領導創新轉型	3
Independent	Hui-Erh	2019/12/17	中華民國會計師公會全國聯合會	防治洗錢及打擊資恐	

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Director	Yuan		Taiwan CPA Association, ROC		
		2019/07/17	中華民國會計師公會全國聯合會 Taiwan CPA Association, ROC	鑑定人及作證注意事項	
		2019/07/17	中華民國會計師公會全國聯合會 Taiwan CPA Association, ROC	鑑識會計簡介	
Independent Director	Lung Zin Chi	2019/07/24	財團法人中華民國證券暨期貨市場發展基金會 Securities & Future Institute, R.O.C.	上市公司內部人股權交易法律遵循宣導說明會	3
		2019/07/17	財團法人中華民國證券暨期貨市場發展基金會 Securities & Future Institute, R.O.C.	上市公司內部人股權交易法律遵循宣導說明會	3

#### 4.5.3 Key Management Profession Enhancement Status

Title	Name	Date	Organizing agency	Training/Speech title	Hours
CFO	Alexander Pan	2019/10/18	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation in Taiwan	從財會視野看原物料「質、量、價」採購成本的「知」與「行」	6
		2019/04/25	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation in Taiwan	從司法裁判觀點看證券市場「內線交易」之法律責任與實務案例解析	3
		2019/04/25	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation in Taiwan	企業簽訂「商務契約」法律責任解析：審閱、談判及糾紛處理—以授權契約為例	3
Chief Auditor	Elsa Chiao	2019/04/25	社團法人中華民國內部稽核協會 The Institute of Internal Auditors-Chinese Taiwan	電腦輔助查核技術與資料分析	6
		2019/07/04	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation in Taiwan	新興科技下之「稽核轉型」及「數據分析」實務案例解析	6



4.5.4 From the date of 2016/11/1, the Company purchase and maintain D&O insurance for its Directors (Independent Directors).  
The present policy coverage is US\$8 million, as follow:

Insured Object	Insurance Company	Insurance Amount (NT\$)	Insurance Period	Status	Date of Board meeting	Note
All Directors and Supervisors	AIG Taiwan	Around NT\$ 240,720,000.	From 2019/11/01 to 2020/11/01	Continued	2019/11/08	The Insurance Amount is US\$ 8,000,000.

4.6 The Composition of the Remuneration Committee Member, and the Official Powers of the Remuneration Committee.

4.6.1. Information of the Remuneration Committee Members

Title	Condition Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Independent Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, Or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Hui-Erh Yuan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Jong Rong Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			0	-
Independent Director	Lung Zin Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			0	-

Note 1 : Indicates qualified members during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the

Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in the preceding item 1, or any of the persons in the preceding item 2 or 3.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (6) If a majority of the company's director seats or voting shares and those of an other company are not controlled by the same person: a director, supervisor, or employee of that other company. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are not the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company. The same does not apply, however, specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the public company, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding TWD 500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or the Business Merger and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

#### 4.6.2. Executive Status of the Remuneration Committee

(1) There are currently 3 members on the Remuneration Committee.

(2) The current term is from June 12, 2018 until June 11, 2021. Remuneration committee meetings have been held 3 times (A), with the attendance status listed below:

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance(B/A)	Remark
Convener	Hui-Erh Yuan	3	0	100%	-
Member	Jong Rong Chen	3	0	100%	-

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance(B/A)	Remark
Member	Lung Zin Chi	3	0	100%	-
Other matters of importance: 1. Instances where the Board of Directors declines to adopt, or attempts to modify, recommendations from the remuneration committee: None. Any objection should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (for example, where the remuneration passed by the Board of Directors exceeds the recommendations of the remuneration committee, the circumstances and reasons for the difference of opinions shall be specified): None 2. Instances where resolutions of the remuneration committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion are specified): None.					

#### 4.7 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	✓		The Company is planning on its risk assessments on environmental, social, and corporate governance issues related to its operations, and will disclose related policies on company website.	
2. Does the company establish exclusively (or concurrently) dedicated units with senior management authorized by the Board to be in charge of CSR Promotion and report to the Board?	✓		The Company has put in place the approved (by the Board of Directors) CSR policies and additionally set up the internal "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management" so we can assess the execution results regularly.	
3. Environmental issues (1) Does the company set up an environmental management system that suits the nature of industry? (2) Does the company dedicate itself to improve the efficiency of all kinds of resources and use the renewable materials that impact on the environment less?	✓  ✓		(1) Although COASTER is not in the manufacturing industry, we still are up to date on the latest news and reports posted by the CPSC(Consumer Product Safety Commission) 、EPA(Environmental Protection Agency) or CBP(Customs and Border Protection), and other agencies. This is to ensure that the manufacturing firms	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake measures with respect to climate change?</p> <p>(4) Does the Company pay attention to the impact of climate change on its operations; carry out the investigation of greenhouse gas inventory; and make strategies of energy efficiency, carbon and greenhouse gas reduction for the company?</p>	✓		<p>vertically integrated with us will continue to use materials that conform to safety and environmental standards.</p> <p>(2) As COASTER is not in the manufacturing industry, there has been no managerial policies setup. Within our daily operations, we encourage practices that promote sustainability within the working environment, such as proper recycling, temperature control rules for the air conditioner, water conservation, having employees bring their own utensils, and other similar practices that promote sustainable living. We will establish policies as necessary regarding future operational needs.</p>	
<p>4. Social issues</p> <p>(1) Does the Company formulate management policies and procedures in accordance with relevant regulations as well as Internal Covenant on Human Rights?</p> <p>(2) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated asences, and other benefits) and adjust employee compensation in relation to business performance?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment as well as the regular tutorials regarding the knowledge of safety and health?</p> <p>(4) Does the Company draw up workable plans of vocational skills development for employees?</p> <p>(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant</p>	✓	✓	<p>(1) COASTER and its subsidiaries (the United States, Taiwan, China and Malaysia) will comply with the employment and labor law according to the regulations by the local government. The North American division has a dedicated personnel unit (HR). When needed, all employees at all levels should seek assistance and guidance directly from the HR department.</p> <p>(2) The operators for the machinery from our company's warehousing units all should have received required education and training. It is mandatory that the staff acquire proper certification/license before allowed to operate the machinery.</p> <p>(3) COASTER has set up a contact number to service our dealers, customers and provide instance assistance for our product users.</p> <p>(4) The products will go through quality control and review by specialists in the manufacturing department before released to the sales and marketing department. Per the requirement of import and export regulations, the custom expects us to clearly</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
consumer protection policies and complaint procedures?			<p>label content outside of all packages.</p> <p>(5) COASTER has a supplier evaluation procedure and it keeps track of quality records on various products and suppliers. It is our policy to discontinue doing business with manufacturers with poor record or poor quality of production. At the same time, the quality management team of the supplier's origin are held accountable for their overseas quality control group through periodic inspection. This is to provide safety re-assurance for our products.</p> <p>(6) Currently the company has not signed a corporate social responsibility contract with any supplier; however, it is one of the top priorities that we will take on the mission of environmental protection along with the corporate social responsibility in the future.</p>	
5. Does the company publish its CSR report in accordance with the internationally accepted reporting standards or guidelines for compiling reports on non-financial information? Is this report assured or verified by a neutral third party?	✓		COASTER has set up a website to disclose relevant and reliable information about CSR, we would like to communicate with the public what social responsibilities we have taken on.	No
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: COASTER has established its CSR code of practice, and will continue to declare and promote.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices COASTER encourages employees to make good use of resources, promote energy conservation and recycling any materials when possible. We have also authorized the local offices at North America to donate returned/defective products to non-profit organizations when the business decisions benefit our company on the economy scale. It is not mandatory to return products to corporate office if it makes good business sense to turn these returned/defective products into a charitable contribution on behalf of our company. Decisions of this nature should have justification in saving transportation and storage costs.				

#### 4.8 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company formulate an integrity management policy approved by the board of directors, and clearly state the policies and practices of integrity management in the regulations and external documents, and the commitment of the board of directors and senior management to actively implement the business policy?</p> <p>(2) Does the company has established an evaluation mechanism for the risk of unethical behaviors, regularly analyzes and evaluates business activities with a higher risk of unethical behaviors in the business scope, and establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies regularly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has set up its own ethical corporate management best practice principles which follows items in left column.</p> <p>2. To forestall unethical conducts such as improper charitable donations or sponsorship and illegal political donations, the company establish its ethical management policy. Any material donation shall obtain approval from the board of directors.</p> <p>3. The company has set up an “Area for Interested Parties” on the corporate website <a href="http://www.coasterinternational.com/stakeholders.htm">http://www.coasterinternational.com/stakeholders.htm</a>, for related parties to contact the company when finding unethical conducts. Upon receipt of the report, the responsible unit shall take immediate action in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. In 2019 there is no informing of unethical or unseemly conduct.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p>	<p>✓</p>		<p>(1) The Company has carried out the necessary information collection procedures prior to the establishment of the formal business relationship with major suppliers/customers, with each has entered a cooperation contract stipulates the confidentiality and integrity of the parties in accordance with business practices Terms.</p> <p>(2) The company has designated the Secretary supervised by BOD responsible for integrity operating procedure.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and regularly (at least once a year) report to the board of directors?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management? Has the internal audit unit formulated relevant audit plans based on the results of the assessment of the risk of unethical behavior and audited the compliance of ethical corporate management accordingly? Or the Company entrusts CPAs to perform the audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(3) The Company has established the Regulation of BOD Meeting to prevent conflicts of interest avoidance in the rules and regulations of the board of directors. The concerned person may not participate in discussion of or voting on the proposal and has recused himself or herself from the discussion or the voting</p> <p>(4) The company has established internal control policy and effective accounting systems by its management, meanwhile the internal audit department perform the audit program to exam its compliance and engaged CPA to carry out the audit annually.</p> <p>(5) The company declare the importance of its ethical corporate management and held the training annually for managers.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases, follow-up measures after investigations are completed and confidentiality mechanism?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The company has illustrated a whistle-blowing system in its own ethical corporate management best practice principles which offers appropriate means for employees to inform the company when finding any violation of rules or any unethical conduct. Once the fact is verified HR shall take further action with applicable laws and regulations or the personnel policy and procedures of the Company.</p>	<p>The company has not yet set up the whistleblower system, but the actual operation is satisfied as needed.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The Company has set up a Chinese website ( <a href="http://www.coasterinternational.com/">http://www.coasterinternational.com/</a> ) to disclose information regarding the Company’s ethical corporate management policies and the results of its implementation on the company’s website and MOPS	None
5. If the company has established its own ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.: The Company has established its own ethical corporate management policies for integrity. There are three independent directors, the establishment of the Audit Committee, and internal audit department play the role of supervisors. There are no major issues or violations occurred by now.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies).: None.				



## 4.9 Internal Control System Execution Status

### 4.9.1. Statement on Internal Control



日期：109年3月27日

本公司民國 108 年 1 月 1 日至民國 108 年 12 月 31 日之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國108年12月31日之內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、為上市公告及申報之需要，本公司依據「處理準則」第二十八條之規定，委託會計師專案審查上開期間與外部財務報導之可靠性及與保障資產安全(使資產不致在未經授權之情況下取得、使用或處分)有關的內部控制制度，如前項所述，其設計及執行係屬有效，並無影響財務資訊之記錄、處理、彙總及報告可靠性之重大缺失，亦無影響保障資產安全，使資產在未經授權之情況下逕行取得、使用或處分之重大缺失。
- 七、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 八、本聲明書業經本公司民國109年3月27日董事會通過，出席董事7人中，有0人持反對意見，餘均同意本聲明書之內容，特此聲明。

客 思 達 股 份 有 限 公 司

董事長：高黎莎

總經理：葉伯璘



#### 4.9.2. Auditor's Report on the 2018 Statement of Internal Control System



##### 2. 內部控制制度專案審查報告

##### 客思達股份有限公司 內部控制制度審查報告

後附客思達股份有限公司及其子公司民國 109 年 3 月 27 日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國 108 年 1 月 1 日至 108 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故客思達股份有限公司及其子公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，客思達股份有限公司及其子公司與外部財務報導及保障資產安全有關之內部控制制度，於民國 108 年 1 月 1 日至 108 年 12 月 31 日之設計及執行，在所有重大方面可維持有效性；客思達股份有限公司於民國 109 年 3 月 27 日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

資 誠 聯 合 會 計 師 事 務 所

潘慧玲

會計師

曾惠瑾

潘慧玲

曾惠瑾



中 華 民 國 1 0 9 年 3 月 2 7 日

4.10 Violation of Internal Control Policies by Employees in Recent Years until the Annual Report is Published: None.

4.11 In Recent Years, until the Annual Report being Published, Major Resolution and Execution status of Shareholder's Meetings and Board Meetings

#### 4.11.1 Major Resolution and Execution status of Shareholder's Meetings

Name	Date	Resolutions of Shareholders' Meeting
Annual Shareholders' Meeting of 2019	2019/6/25	<ol style="list-style-type: none"> <li>1. Ratification of the 2018 Business Report and Consolidated Financial Statements</li> <li>2. Ratification of the 2018 Profit and Loss Appropriation</li> <li>3. Amendment to the the Company's Memorandum and Articles of Association ("AOA")</li> <li>4. Amendment to the 'Operational procedures for Acquisition and Disposal of Assets', 'Operational Procedures for Derivatives Trading', 'Operational Procedures for Loaning of Company Funds' and 'Operational Procedures for Endorsements and Guarantees'.</li> </ol>

#### 4.11.2 Major Resolution of Board Meetings

Date	Resolution of the Board Meetings
2019/3/28	<ol style="list-style-type: none"> <li>1. 2018 Business Report and the Consolidated Financial Statements for the year ended December 31, 2018.</li> <li>2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018.</li> <li>3. The assessment result of independence and suitability of the CPA engaged by the company regularly.</li> <li>4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31)</li> <li>5. Amendment to the 'Operational procedures for Acquisition and Disposal of Assets', 'Operational Procedures for Derivatives Trading', 'Operational Procedures for Loaning of Company Funds' and 'Operational Procedures for Endorsements and Guarantees'.</li> <li>6. Amendment to the "Procedural Rules of Board Meetings"</li> <li>7. Amendment to the "Memorandum and Articles" of the Company.</li> <li>8. The dates, agenda of the Company's 2019 Annual Shareholders' Meeting.</li> </ol>
2019/5/10	<ol style="list-style-type: none"> <li>1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 5 million.</li> <li>2. Amendment to the "Procedural Rules of Board Meetings"</li> <li>3. Information of convening a regular shareholders meeting to handle shareholder proposals, and the Format of Proxies for Attendance at Shareholder Meeting.</li> </ol>
2019/8/7	<ol style="list-style-type: none"> <li>1. To discuss and approve the Q2 2019 consolidated financial statements.</li> <li>2. To discuss and approve the capital lending to COA, Inc., with a maximum amount of US\$ 3 million.</li> <li>3. Amendment to the "Internal Control System" of the Company.</li> </ol>
2019/11/8	<ol style="list-style-type: none"> <li>1. To discuss and approve the engagement of the PWC CPA firm and the audit fees of 2019.</li> <li>2. Year 2020 Audit Plan.</li> <li>3. The Company's 2020 business plan and budget.</li> <li>4. COA, Inc. to apply for credit line from the related parties of the company.</li> <li>5. Compensation for Managers.</li> <li>6. The amendment to "Self-Evaluation or Peer Evaluation of the Board of Directors"</li> </ol>
2020/3/27	<ol style="list-style-type: none"> <li>1. Business Report and the Consolidated Financial Statements for the year ended December 31, 2019.</li> <li>2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2019.</li> <li>3. The assessment result of independence and suitability of the CPA engaged by the company regularly.</li> </ol>

Date	Resolution of the Board Meetings
	4. The Declaration of Internal Control System of the Company (2019/1/1~2019/12/31) 5. Amendment to the 'Rules of Audit Committee', 'Procedural Rules for Salaries and Remuneration Committee', 'Procedural Rules of Board Meetings', 'Procedural Rules of General Meetings', 'Procedures for Ethical Management', 'Corporate Governance Best Practice Principles'. 6. Amendment to the Company's current Memorandum and Articles of Association ("AOA") 7. Information of convening 2020 annual shareholders meeting.
2020/5/15	1. The inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US\$ 6 million. 2. COA, Inc. to change its credit line from the related parties of the company.
2020/5/28	1. COA, Inc. to apply for loan from the related parties of the company.

4.12 In Recent Years until the Annual Report is Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors: None.

4.13 The Resigned Situation of the Officers (Including Chairman, President, Financial Manager, Accounting Manager, Internal Auditor Manager and R&D Manager) Related to Financial Report: None.

## 5. CPA Service Fee

### 5.1 Information of CPA

Accounting Firm	Name of CPA	Audit Period	Note
PricewaterhouseCoopers, Taiwan	Audrey Tseng	2019.1.1 ~ 2019.12.31	--
	Penny Pan		

NT\$

Item		Audit fees	Non-audit fees	Total
Range of Amount				
1	Less than 2,000,000		✓	
2	2,000,000 ~ 4,000,000 (not inclusive of 4,000,000)			
3	4,000,000 ~ 6,000,000 (not inclusive of 6,000,000)			
4	6,000,000 ~ 8,000,000 (not inclusive of 8,000,000)			
5	8,000,000 ~ 10,000,000 (not inclusive of 10,000,000)	✓		✓
6	More than 10,000,000 (inclusive)			

5.2 Replaced the audit firm and the audit fees paid to the new audit firm was less than the payment of previous year: None

5.3 Audit fees reduced more than 15% year over year: None

## 6. Information on replacement of certified public accountant

If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information: For the



accounting firm's job rotation, starting from the 1st quarter of 2018, the CPA of the Company are Audrey Tseng and Penny Pan.

## 6.1 For Year 2018

### 6.1.1 Regarding the former certified public accountant:

Date	2018.5.11		
Reason for replacement of the certified public accountant	For the accounting firm's job rotation.		
whether it was the CPA that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement	Party	CPA	The Company
	Cases		
	voluntarily ended the engagement/terminated the engagement	Not applicable.	Not applicable.
	declined further engagement/discontinued the engagement	Not applicable.	Not applicable.
If the former certified public accountant issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None.		
Indicate whether there was any disagreement between the company and the former CPA	Yes		relating to accounting principles or practices
			relating to financial report disclosure
			relating to auditing scope or procedure
			Other
	No	✓	
	Description	Not applicable.	
Other Disclosure Items	None		

### 6.1.2 Regarding the successor certified public accountant:

Name of the successor accounting firm	PricewaterhouseCoopers Taiwan
Name of the certified public accountant	Audrey Tseng, Penny Pan
Date of engagement	2018.05.11
The subjects discussed during the consultations and the consultation results regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report prior to the formal engagement	Not applicable.
The written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant	Not applicable.

### 6.1.3 The reply letter from the former CPA pursuant to related regulations : None.

## 6.2 For Year 2020

### 6.2.1 Regarding the former certified public accountant:

Date	2020.3.27		
Reason for replacement of the certified public accountant	For the accounting firm’s job rotation.		
whether it was the CPA that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement	Party	CPA	The Company
	Cases		
	voluntarily ended the engagement/terminated the engagement	Not applicable.	Not applicable.
	declined further engagement/ discontinued the engagement	Not applicable.	Not applicable.
If the former certified public accountant issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None.		
Indicate whether there was any disagreement between the company and the former CPA	Yes		relating to accounting principles or practices
			relating to financial report disclosure
			relating to auditing scope or procedure
			Other
	No	✓	
	Description	Not applicable.	
Other Disclosure Items	None		

### 6.2.2 Regarding the successor certified public accountant:

Name of the successor accounting firm	PricewaterhouseCoopers Taiwan
Name of the certified public accountant	Penny Pan, 鄧聖偉
Date of engagement	2020.03.27
The subjects discussed during the consultations and the consultation results regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report prior to the formal engagement	Not applicable.
The written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant	Not applicable.

### 6.2.3 The reply letter from the former CPA pursuant to related regulations : None.

7. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post in the CPA Office or its Affiliations in the Last Year: None.

8. Shares Transferred or Pledged by Directors, Supervisors, and Managers, or Major Shareholders in the Recent Years until the Annual Report being Published

8.1 Shareholding Variation:

Title	Name	2018		2019		2020/1/1 ~2020/4/25	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Lisa Kao	0	0	0	0	0	0
Major Shareholder & Director	Yeko LLC	0	0	0	0	0	0
	Representative : Michael P Yeh	0	0	0	0	0	0
Director & CFO	Alexander Pan	88,000	0	6,000	0	0	0
Director	Rong Zing Liu	0	0	0	0	0	0
Independent Director	Hui-Erh Yuan	0	0	0	0	0	0
Independent Director	Jong Rong Chen	0	0	0	0	0	0
Independent Director	Lung Zin Chi	0	0	0	0	0	0
Major Shareholder	Yeh Family Limited Partnership, LP	0	0	0	0	0	0
Major Shareholder	YSC Limited Partnership, LP	0	0	0	0	0	0
Major Shareholder	YJM Family Limited Partnership, LP	0	0	0	0	0	0
VP	Matthew Chen	0	0	0	0	0	0
VP	Gene Korbut	0	0	0	0	0	0
VP	John Rodriguez	0	0	0	0	0	0
VP	Steve Goldsmith	0	0	0	0	0	0
VP	Crystal Nguyen	0	0	0	0	0	0
VP	Janice Yeh	0	0	0	0	0	0
VP	Donald Alan Deeds (Note1)						
Chief Auditor	Elsa Chiao	0	0	0	0	0	0

Note 1: Newly-appointed on 2019/11/11.

8.2 Shareholding Transferred : None.

8.3 Shareholding Pledged : None.

## 9. The Relationship between Top Ten Shareholders (With Major Institutional Shareholders)

2020/4/25

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Yeko LLC (Members : Lisa Kao 、Michael P Yeh)	26,172,351	34.19	0	0	0	0	Yeh Family Limited Partnership, LP	within 2 degrees of consanguinity to each other
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
Yeh Family Limited Partnership, LP (Partnership : Lisa Kao 、Michael P Yeh)	18,977,649	24.79	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
YSC Limited Partnership, LP (Partnership : Lisa Kao 、Michael P Yeh)	7,503,000	9.80	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
YJM Family Limited Partnership, LP (Partnership : Lisa Kao)	7,497,000	9.79	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YSC Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
Investment Fund of Kayeh Management Limited Partnership, LP (Custodian institution: CTBC Bank)	7,120,696	9.30	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
林世裕 Lin Shiyu (Transliteration)	662,000	0.86	0	0	0	0	None	None
呂蔡素靜 LuCai SuJing (Transliteration)	615,000	0.80	0	0	0	0	None	None
卓煥庭 Zhuo Huanting (Transliteration)	600,000	0.78	0	0	0	0	None	None
陳宥安 Chen YuAn (Transliteration)	458,000	0.60	0	0	0	0	None	None
中國信託商業銀行受託保管客思達 (股)外籍員工讓受、認購及配發有價證券集合投資專戶 Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank)	427,000	0.56	0	0	0	0	None	None



10. Shares of the Company Directors, Supervisors, Managers, and Direct and Indirect Investments of the Company in Affiliated Companies

2018/12/31; share; %

Affiliated Company	Investment of Coaster International Co., Ltd.		Directors, Supervisors, Managements Direct and Indirect Investment of the affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
COA, Inc.	79,109,865	100%	0	0	79,109,865	100%
COA Asia, Inc.	1,000	100%	0	0	1,000	100%
CFS Global, Inc.	100	100%	0	0	100	100%
Deliverall Logistics, Inc.	100	100%	0	0	100	100%
Ye Hey (Malaysia) Logistics Service SDN BHD	324,603	100%	0	0	324,603	100%
Coaster Furniture (Asia) Service Holdings Ltd.	150,000	100%	0	0	150,000	100%
Ye Hey Taiwan Logistics Service Ltd.	300,000	100%	0	0	300,000	100%
Ye Hey Holding Co. Ltd.	350,000	100%	0	0	350,000	100%
Coaster Furniture Service (KunShan) Advisory Company	Note	100%	0	0	Note	100%
Ye Hey (ShenZhen) Logistics Service Company	Note	100%	0	0	Note	100%

Note: Limited company no shares information.

## IV. Fund Utilization Status

### 1. Capital and Shares

#### 1.1 History of Capitalization

##### 1.1.1 Issue of Shares

Year. Month	Par Value	Authorized Capital		Shares Outstanding		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-Monetary Capital Expansion	Others
2013/8	USD1	50,000	USD50,000	1	USD 1	Registration of incorporation	-	-
2014/1	USD 1	30,000,000	USD 30,000,000	20,000,001	USD 20,000,001	Addition and Conversion: 20,000 thousand shares	Shares Exchange	Note1
2014/5	USD 1	30,000,000	USD 30,000,000	20,050,000	USD 20,050,000	Capital increase by cash	-	Note 2
2014/12	USD 2.81	30,000,000	USD 30,000,000	21,829,360	USD 21,829,360	Capital increase by cash	-	Note2
2015/2	USD 2.81	30,000,000	USD 30,000,000	22,185,232	USD 22,185,232	Capital increase by cash	-	Note2
2015/9	NTD 10	90,000,000	NTD 900,000,000	66,555,696	NTD 665,556,960	Stock split and Par Value changed from USD to NTD	-	Note3
2015/10	NTD 10	200,000,000	NTD 2,000,000,000	66,555,696	NTD 665,556,960	Change authorized capital	-	-
2016/9	NTD 10	200,000,000	NTD 2,000,000,000	76,555,696	NTD 765,556,960	Capital increase by cash	-	-

Note 1: The company issued 20,000 thousand new shares (par value at USD \$1 per share) to acquire the full equity of COA, Inc, COA ASIA, Inc. and CFS Global, Inc. from Yeh Family Limited Partnership LP and Yeko LLC on January 6, 2014.

Note 2: The capital increases by cash on 2014.5.11, 2014.12.23 and 2015.2.3 have been registered to the Cayman Island on 2015.5.22, 2015.4.1 and 2015.6.30.

Note3: The authorized share capital of the Company changed from US\$30,000,000 divided into 30,000,000 common shares of a par value of US\$1.00 each (the "USD Shares"), to NTD\$900,000,000 divided into 90,000,000 Shares of a par value of NTD10.00 each (the "NTD Shares"), authorized by the Board of Directors of the Company at the meeting held on August 21st, 2015 and Shareholders' resolution on September 10th, 2015.

Note4: TWSE on September 23, 2016, Ref. No. Tai-Zheng-Shang-Er-Zi-10500185601.

### 1.1.2 Type of Stock

Type of Stock	Authorized Share Capital			Note
	Outstanding issued shares	Unissued Shares	Total	
Common Stock	76,555,696	123,444,304	200,000,000	TWSE Listed stocks

### 1.1.3 Shelf Registration: None

### 1.2 Composition of Shareholders

2020/4/25

Types Amounts	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Foreign Persons	Domestic Citizens	Treasury Stock	Total
Numbers	0	0	2	15	842	1	860
Shares	0	0	2,000	68,006,696	8,047,000	500,000	76,555,696
Shareholding ratio (%)	0	0	0.00	88.84	10.51	0.65	100.00

### 1.3 Distribution Profile of Share Ownership

2020/4/25

Level	Number of shareholders	Shares	%
1 ~ 999	57	6,216	0.01
1,000 ~ 5,000	606	1,158,684	1.51
5,001 ~ 10,000	87	723,100	0.94
10,001 ~ 15,000	23	295,000	0.39
15,001 ~ 20,000	18	343,000	0.45
20,001 ~ 30,000	23	606,000	0.79
30,001 ~ 40,000	8	284,000	0.37
40,001 ~ 50,000	5	231,000	0.30
50,001 ~ 100,000	15	895,000	1.17
100,001 ~ 200,000	4	658,000	0.86
200,001 ~ 400,000	3	823,000	1.08
400,001 ~ 1,000,000	6	3,262,000	4.26
1,000,001 and above	5	67,270,696	87.87
Total	860	76,555,696	100.00

## 1.4 Major Shareholders

2020/4/25

Shareholders	Shares	%
Yeko LLC	26,172,351	34.19
Yeh Family Limited Partnership, LP	18,977,649	24.79
YSC Limited Partnership, LP	7,503,000	9.8
YJM Family Limited Partnership, LP	7,497,000	9.79
Investment Fund of Kayeh Management Limited Partnership, LP (Custodian institution: CTBC Bank)	7,120,696	9.3
林世裕 Lin Shiyu (Transliteration)	662,000	0.86
呂蔡素靜 LuCai SuJing (Transliteration)	615,000	0.8
卓煥庭 Zhuo Huanting (Transliteration)	600,000	0.78
陳宥安 Chen YuAn (Transliteration)	458,000	0.6
中國信託商業銀行受託保管客思達 (股)外籍員工讓受、認購及配發有價 證券集合投資專戶 Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank)	427,000	0.56

## 1.5 Share Price, Net Value, Earnings, Dividends and Related Information in Last 2 years

NT\$'000; shares

Year		2018	2019	2020 (as of March 31)
Item	High	33.80	26.85	20.40
	Low	23.50	19.45	10.95
	Average	27.53	23.86	17.64
Net Value per share	Before distribution	36.33	33.86	33.19
	After distribution	36.33	33.86	-
Earnings per share	Weighted-average outstanding shares	76,225	76,056	76,055
	Basic EPS	(0.29)	(0.95)	(0.79)
	Retroactively adjusted EPS	-	-	-
	Diluted EPS	(0.29)	(0.95)	(0.79)
Dividend per share	Stock dividend	Cash dividend	-	-
		Distribution of surplus	-	-
		Additional Paid-In Capital	-	-
	Accumulated un-distributed dividend		-	-
Return on Investment	Price / Earnings ratio (Note 2)		-	-
	Price / Dividend ratio (Note 3)		-	-
	Cash Dividend yield (Note 4)		-	-

Note 1: Data source derived from TWSE website.

Note 2: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.

Note 3: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.

Note 4: Cash dividend yield = Cash dividend per share/average closing share price of the year.

## 1.6 Dividend Policy

### 1.6.1 Dividend Policies under the Article of Incorporation

As the Company continues to grow, the need for capital expenditure, business expansion and a sound financial planning for sustainable development, it is the Company's dividends policy that the dividends may be allocated to the Shareholders in the form of cash dividends and/or bonus shares according to the Company's future expenditure budgets and funding needs.

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate (1) a maximum of 15% and a minimum of 1% of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remunerations"); and (2) a maximum of 2% and a minimum of 1% of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to Cayman Islands law and notwithstanding Article 139, the Employees' Remunerations and the Directors' Remunerations may be distributed in the form of cash and/or bonus shares, upon resolutions by a majority votes at a meeting of the Board of Directors attended by two-thirds or more of the Directors. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.

Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

- (a) To make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) To set off accumulated losses of previous years (if any);
- (c) To set aside 10% as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
- (d) To set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) With respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the number of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (b) above. Cash dividends shall comprise a minimum of the percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

1.6.2 Proposed distribution of 2019 profits to be approved at the Shareholders' Meeting: The Surplus Earning Distribution and/or the Loss Offsetting Proposals of 2019 was resolved in the meeting on 27 March 2020 by the Board of Directors, that the Company decides not to distribute dividends.

1.7 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment: not applicable.

1.8 Employees' Compensation and Directors' Remuneration

1.8.1 Description regarding employees' compensation and Directors' remuneration in the Company's current Memorandum and Articles of Association ("AOA")

Please refer to Part IV, 1.6 Dividend Policy.

1.8.2 The discrepancy, if there is any, between the total amount of estimated employees' compensation, Directors' remuneration, stock dividends and total amount actually being paid:

The company estimates the amounts of employees' bonuses and compensation for directors according to the Company's Memorandum and Articles of Association ("AOA") and considering the payout amount and ratio from the past. If the amount approved by Annual General Meeting of Members differs from the original estimation, the adjustment will be regarded as a change in accounting estimation and will be reflected in the statement of income in the year that the shareholder's Annual General Meeting is held.

1.8.3 Proposed employees' compensation and Directors' remuneration:

(1) The 2019 employees' compensation and Directors' remuneration was resolved in the meeting on 27 March 2020 by the Board of Directors, and will be submitted to the shareholders' meeting. The Company decides not to distribute dividends and additional directors and employees compensation.

(2) There's no proposed employee compensation by shares, hence it is not applicable.

1.8.4 The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: There was no discrepancy between the actual distribution and the amounts recognized for the previous year.

## 1.9 Share buyback by the Company:

2020/3/31

Time of buyback	1 <sup>st</sup> Share buyback
Purpose of buyback	for transferring shares to its employees
Buyback period	2018/3/26 ~ 2018/5/25
Buyback price range	NT\$ 21 ~ 38
Types and numbers of bought-back shares	500,000 common stock
Value of shares bought back	NT\$ 12,860,943
Number of annulled and transferred share	0
Cumulative number of company shares held	500,000 shares
Ratio of cumulative number of company shares held to total outstanding shaes	0.65%

2. Issuance of Corporate Bonds : None.

3. Issuance of Preferred Shares : None.

4. Issuance of Depository Receipt : None.

5. Employee Stock Options

### 5.1 Issuance of Employee Stock Options

2020/3/31

Issuance of Employee Stock Options	First Grant
Approval Date by The Securities & Futures Bureau	2016/8/4
Issue (Grant) Date	2015/10/2
Option Duration	7 years
Number of Options Granted	4,294
Percentage of Shares Exercisable to Outstanding Common Shares	5.61 %
Option Duration	2015/11 / 1 ~ 2022 /10 / 31
Source of Option Shares	New Common Share
Vesting Schedule	(1) 2 <sup>nd</sup> Year: up to 40% (2) 3 <sup>rd</sup> Year: up to 70% (3) 4 <sup>th</sup> Year: up to 100%
Shares Exercised	0
Value of Shares Exercised (NT\$)	0

Invaild / Expired	1,002,000 shares
Shares Unexercised	3,292,000 shares
Grant Price Per Share (NT\$)	NT\$ 36.0
Percentage of Shares Unexercised to Outstanding Common Shares ( % )	4.30%
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited



## 5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees

### 5.2.1 Employee Stock Options Granted to Management Team

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT\$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT\$)	% of Shares Unexercised to Outstanding Common Shares
Employees	President	Michael P Yeh	1,104,000	1.44	-	-	-	-	1,104,000	NT \$ 36.0	39,744,000	1.44
	CFO	Alexander Pan										
	VP	Matthew Chen										
	VP	Gene Korbut										
	VP	John Rodriguez										
	VP	Steve Goldsmith										
	VP	Crystal Nguyen										
	VP	Janice Yeh										
	Chief Auditor	Elsa Chiao										

5.2.2 Employee Stock Options Granted to Top 10 Employees

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT\$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT\$)	% of Shares Unexercised to Outstanding Common Shares
Employees	VP	Bobby Chin	1,296,000	1.69	-	-	-	-	1,296,000	NT \$ 36.0	46,656,000	1.69
	Senior Director	Hurr Ko										
	Senior Director	Judy Jin										
	VP	Larry Furiani										
	VP	Lily Chiu										
	Senior Manager	Maggie Kow Chik										
	VP	Richard Lo										
	Senior Director	Vivian Zhang										
	Secretariat	Winnie Chiu										

6. Employee Restricted Stock Options : None.
7. Share Issued for Merger or Acquisition: On July, 2017 the board of directors of COA,Inc., the major subsidiary of CIC, approved a merger with CFS(USA) , the subsidiary of CIC group. COA,Inc. is the surviving company. There is no share issued for the internal merge between two subsidiaries.
8. Company Fund Utilization Plans and Execution
  - 8.1 Contents of the Plan: Public sale of cash capital increase prior to initial exchange listing : None.
  - 8.2 Facts of implementation : Not applicable.

## V. Operational Highlights

### 1. Business Activities

#### 1.1 Business Scope :

##### 1.1.1 Scope of Coaster Business

Coaster sources furniture products from Asia suppliers for distribution to U.S. furniture retailers. The primary business model of Coaster is to procure selected products for U.S. warehouse storage before selling the products to its retailers.

Coaster researches trend of U.S. furniture market for product design and sourcing., Coaster selects or develops various furniture products that fit the targeted price range and demands of its dealers. Currently, major dealer groups of Coaster consist of U.S. independent furniture retailers, regional furniture chain stores, and ecommerce retailers. Each group might have unique requirements on product distribution and logistics support.

Coaster overseas procurement offices support its U.S. head office with factory selection, quality inspection, factory evaluation, production scheduling and shipping coordination. Most of Coaster suppliers are located in Asia: including China, Taiwan, Malaysia, and Vietnam.

In addition to U.S. warehouse distribution sales, Coaster offers qualified dealers with direct sales program (DS program), where full-container products are shipped directly from overseas factories to the designated locations requested by the dealers. This DS sales program is attractive to larger-sized dealers within or outside of the U.S.

##### 1.1.2 Sales Breakdown of Main Business Segments

NT\$'000; %

Business Segment	2018		2019		2020 Q1	
	Amount	%	Amount	%	Amount	%
Indoor Furniture Sales Revenue	11,930,750	99.31	11,668,334	99.42	2,343,343	98.77
Others	82,706	0.69	69,049	0.58	29,236	1.23
Total	12,013,456	100.00	11,737,383	100.00	2,372,579	100.00

Source : The financial information above is derived from audited consolidated financial statements.

##### 1.1.3 Coaster Products and Services

Coaster provides a full- range of furniture products available for qualified dealers to purchase (i.e., “Open Distribution Model”). The varieties of products include over 4,000 SKU of indoor furniture products in bedroom, dining, living, office, and accent product groups. In addition, Coaster developed electronic ordering system to facilitate dealers placing purchase orders with convenience. With this system, Coaster dealers can obtain real-time inventory information from nearby Coaster warehouses, place purchase orders directly from the system and select the modes of delivery.

##### 1.1.4 New Products and Srevices under Development

Coaster provides competitive products and innovative solutions that meet or exceed the expectation of its dealers and consumers. In 2017 Coaster

develops new product lines with styles and prices that are attractive to younger generation consumers (i.e., Generation Millennium), including the introduction of a new product line series. In 2019, Coaster introduced new and diverse collections with sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations. With multiple product lines, tailored solutions for distribution and marketing, Coaster is well-positioned to further penetrate U.S. furniture market. Further, Coaster also speed up the implementation of “O2O” business, by closely connecting its thousands of local independent furnityre retailers in providing off-line service to local consumers across the United States.

## 1.2 Industry Overviews

### 1.2.1 Current Development of Furniture Industry

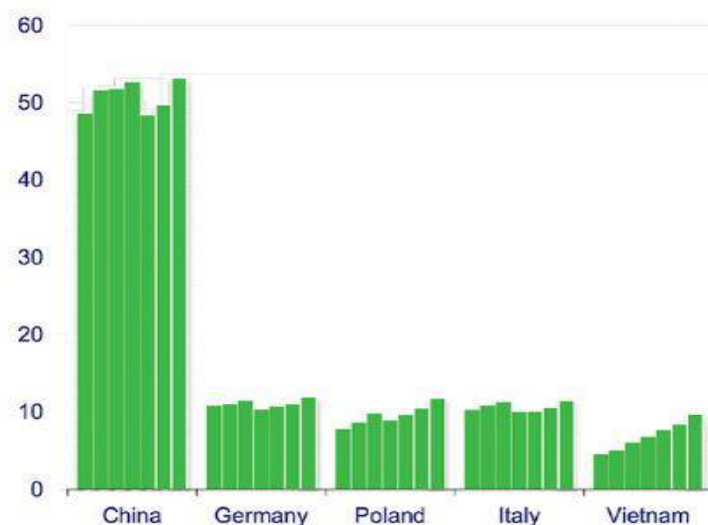
Coaster sources furniture products from Asia factories for worldwide distribution. Most of Coaster customers operated in the United States. A brief summary of the status of the furniture industry.

#### (1) Global Furniture Industry:

Per CSIL 《World Furniture Outlook 2019》 report , the main furniture producer is China, with 39% of world furniture production. Other major furniture manufacturing countries are the United States, Germany, Italy, India, Poland and Vietnam. From 2009 to 2018 production in Asia and Pacific more than doubled while changes in other regions were comparatively minor. As a consequence, in 2018 more than half of world furniture production took place in Asia and the Pacific.

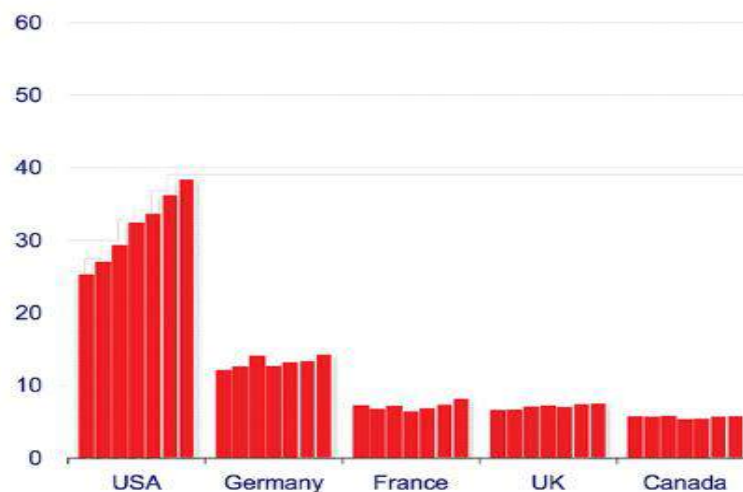
The leading importers of furniture are the United States, Germany, France, the United Kingdom, and Canada. The main furniture exporting country is China, followed at a distance by Germany, Poland, Italy and Vietnam.

*Major furniture exporting countries, 2012-2018 US\$ billion Source: CSIL processing of United Nations, Eurostat and national data*



Source: CSIL

Major furniture importing countries, 2012-2018 US\$ billion

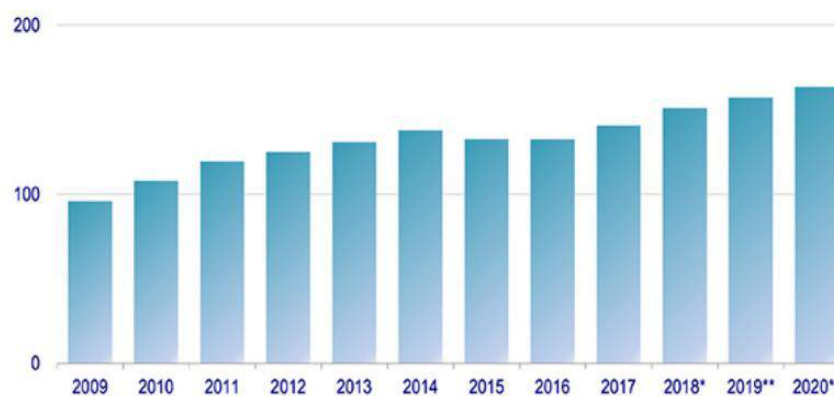


Source: CSIL

The international furniture trade of this group of 100 countries (which we shall hereafter refer to as the world), amounted to about US\$ 150 billion in 2018. This corresponds to about 1% of world trade of manufactures. Forecasts are for continuing growth both in 2019 and 2020. The forecast is affected by substantial downside risks deriving from growing trade tensions and protectionist policies.

Consumption of furniture is forecasted to grow by 3.2% in real terms worldwide in 2019. The fastest growing region continues to be Asia and Pacific, with all other regions growing between 1% and 3% in real terms.

World trade of furniture 2009-2020 Current US\$ billion



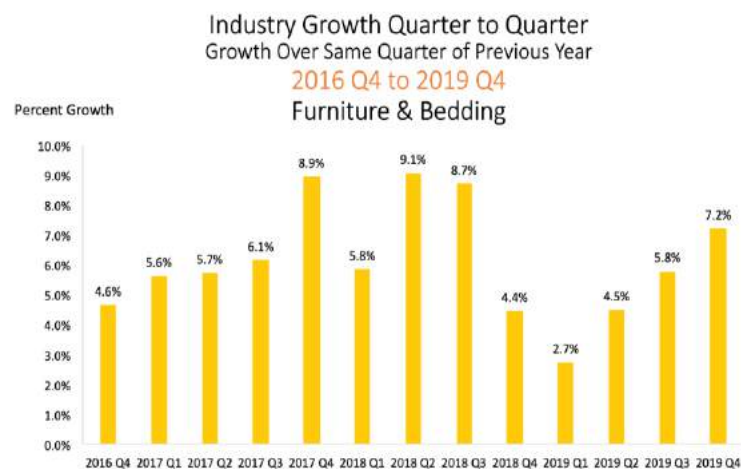
Source: CSIL preliminary \*\* projected

## (2) U.S. Furniture Industry:

Currently, U.S. is Coaster's primary market. In 2018 and 2019, U.S. sales revenue accounts for 98.07% and 98.54% of Coaster's worldwide net sales respectively.

The demand for furniture is highly correlated with real estate industry. U.S. is the largest country in accepting immigrants that contributes to additional demands on housing and furniture products. Since 2011, U.S. housing market and U.S. furniture demand were gradually recovered toward to the pre-financial crisis level.

Per 《FurnitureCore.com》, 2019 began the year with weak industry sales and economists' predictions of a possible late-year recession that never came. Year-over-year quarterly growth kept increasing, despite months of uncertain tariff wars, with Q4 of 2019 improving 7.2% compared to the same Q4 of 2018. Industry sales finished 2019 at \$USD118.55 billion, an increase of 5.1% over 2018. This represents a slowing compared to 2018 growth of 7.0%. Furniture sales.



Source: Impact Consulting Services, Inc. Furniturecore.com industry model

Note: Previous 2019 quarter sales have been revised slightly



Source: Impact Consulting Services, Inc. Furniturecore.com industry model

U.S. furniture industry consists of furniture retailers, furniture distributors, and manufacturers. In which the retailers and distributors each account for about 40% and 30% of the U.S. furniture industry value respectively. U.S. furniture distributors perform important functions in supporting the operation of U.S. furniture industry. The distributors source various furniture products worldwide to satisfy the demands of different types of furniture retailers, including mass merchants, furniture retail chain stores, independent furniture retailers and e-retailers of furniture ecommerce.

Over the past decade, the landscape of U.S. furniture industry has changed significantly. The major factors that reshape U.S. furniture industry include the impact of U.S. economy cycle, Internet technology, consumer preference shift of younger generation and others. Today, U.S. consumers are more comfortable shopping furniture on-line.

Within the U.S. brick and mortar furniture-retailing sector, larger-sized regional furniture chain stores gain market share over independent furniture retailers. This is partially attributable to the resources available to larger stores in providing consumers with better shopping experience, alternative financing, creative marketing and attractive promotion programs.

The emerging ecommerce retailing enables many e-retailers enjoying faster growth on selling furniture online. Per 《Furniture Today》, for every 10 U.S. consumers, about 8 of them have made an online purchase of furniture or home products. Per 《Online Household Furniture Market in the U.S. 2015-2019》, it projected that from 2014 to 2019, the annual compounded growth of U.S. online furniture purchase will be about 10.06%.

### 1.2.2 Furniture Supply Chain Stakeholders

Coaster imports furniture products from overseas factories for U.S. wholesale distribution. Coaster performs the supply chain manager functions, its relationship with suppliers and customers are listed below.

Asia Material and Component Suppliers	<u>Upstream</u> (Manufactures, Subcontractors)	<u>Midstream</u> ( Wholesalers and Import Distributors )	<u>Downstream</u> ( Retailers )	North America Consumers
	Major Functions			
	<ul style="list-style-type: none"><li>• Manufacturing Resources Integration.</li><li>• Production Processing Design.</li><li>• Manufacturing R&amp;D.</li><li>• Production Quality Control.</li><li>• Business Promotion and Marketing (Product Shows)</li></ul>	<ul style="list-style-type: none"><li>• Market Analysis</li><li>• Product Design &amp; Merchandising.</li><li>• Factory Sourcing &amp; Evaluation</li><li>• Product Safety Standard Compliance.</li><li>• Product Quality Inspection.</li><li>• Shipping Coordination.</li><li>• Marketing &amp; Show Promotion.</li><li>• Warehousing and Logistics.</li></ul>	<ul style="list-style-type: none"><li>• Retailing &amp; Product Display.</li><li>• Marketing, Advertising and Promotion.</li><li>• Retailing and Sales Services.</li><li>• Consumer Credit Facilitation.</li><li>• Product Delivery Services.</li><li>• After-Sales Services.</li></ul>	



		<ul style="list-style-type: none"><li>• Ecommerce &amp; Transaction Platform Support.</li><li>• Insurance on Credit Sales</li><li>• Post-Sales Service Support.</li></ul>		
	Coaster Controls its Supply Chain			
	Coaster sources products from over 200 overseas factories. Coaster has effectively diversified its sourcing risk.	Coaster provides supply-chain-manger functions to its upstream and downstream stakeholders.	Coaster sales to over 8,000 U.S. retailers. Coaster diversifies customer concentration risk.	

Coaster is in the center of furniture supply chain. The upstream furniture factories develop procedures to convert materials into finished furniture products. While the import distributors purchase the products form factories for wholesale distribution to furniture retailers. U.S. furniture retailers include: mass merchants, department stores, independent furniture retailers, and ecommerce retailers.

At the midstream of its furniture supply chain, Coaster purchases furniture products from over a hundred of overseas factories for U.S. warehousing and distribution. Coaster’s customers include over 8,000 of U.S. independent furniture retailers, mass merchants, and mainstream U.S. ecommerce retailers.

### 1.2.3 Trend of Furniture Industry

Information technology reshapes U.S. furniture industry. Consumers are well informed with a wide-range of selection of products with styles, designs, and value. Generation X consumers are replacing baby-boomer generation and becoming a major furniture consumer group. Generation X consumers demand higher standard on furniture style, design, material used and value. Today, furniture suppliers gain competitive advantage by offering innovative design, advanced production technology, efficient logistics, enhanced branding, and multiple channels of distribution.

Coaster is in the center of furniture supply chain. The upstream furniture factories develop procedures to convert materials into finished furniture products. While the import distributors purchase the products from factories for wholesale distribution to furniture retailers. U.S. furniture retailers include mass merchants, department stores, independent furniture retailers, and ecommerce retailers.

### 1.2.4 Market Competitions

U.S. furniture market is relatively diversified. Currently, none of a single U.S. furniture participant (i.e., manufacturer, wholesaler, distributor or retailer) has the ability to "control" the U.S. furniture market. Based on 《Furniture Today》 analysis, in 2016, the Top 100 U.S. furniture stores collectively accounts for about 40% of total U.S. furniture sales. Where “Ashley Furniture” is the largest in the U.S. furniture industry, it accounts for about 3% of U.S. furniture market shares. Most of the other key suppliers of U.S. furniture and bedding, each account for lesser than 2% of the U.S. market shares.

Due to the diversity, key U.S. furniture suppliers focus on different targeted price points, styles and market channels; they might not always compete directly with each other.

Furniture import distributors develop core competencies based on the targeted market segments they service. In addition to offering competitive price and high- quality products, furniture import distributors focus on providing reliable sourcing, convenient logistics, innovative marketing and creative distribution solutions.

Recently, a few overseas manufacturers start selling directly to U.S. Depending on the products sold and business model they adopted; these manufacturers might compete with U.S. import distributors.

However, U.S. furniture manufacturers focus on patented products with higher price points; in general, these domestic manufacturers are not directly competing with U.S. furniture importers.

Coaster focuses on developing the following core competency:

- (1) Effectively managed supply chain to ensure the reliability of sourcing quality.
- (2) Ability to design products responsively in meeting market trend and demands.
- (3) Well-established distribution network facilitates transfer of inventory timely.
- (4) Proprietary transaction systems provide convenient and efficiency.
- (5) Tailored programs enable products shipped from factories to customers worldwide.

### 1.3 Development of Technology and Products

Coaster does not engage production or engineering activities. As an import distributor, Coaster analyzes consumer preference and U.S. furniture industry trend for product design and sourcing.

Coaster provides both printed and digital product catalogs and price books. Coaster develops electronic order system to facility consumers obtain product information, verify inventory status at nearby Coaster warehouses, and place purchase orders 24/7.

For financial reporting purpose, Coaster capitalizes the purchases of IT equipment, and expenses the related system development expenditures and payroll.

### 1.4 Long-term & Short-term Business Development Strategies:

#### 1.4.1 Short-term goals

- (1) Enhancing the functions of CRC (Coaster Retail Connect). CRC is a proprietary IT system developed by Coaster in-house technology team. CRC enables Coaster independent furniture dealers enjoying the benefits of ecommerce marketing and sales. With the help of CRC, independent dealers can sell more Coaster products without increasing inventory or showroom space. Via CRC kiosks, consumers shop at furniture retailer stores can access to a wide-range of Coaster products with detailed

product information for on-site purchases and home delivery.

- (2) Facilitating qualified furniture retailers with special tailored products and marketing programs by granting qualified dealers with exclusive regional distribution privilege (“Managed Distribution Program”). Coaster develops competitive products that satisfy the procurement and marketing requirements of regional furniture retailers. On territorial basis, Coaster offers “exclusive distribution” benefits to certain qualified retailers. Dealers can easily integrate Coaster programs into their existing retail-pricing models.
- (3) Standardizing QC inspector training program and enriching QC management talents. Coaster constantly assesses the effectiveness of its QC inspection procedures, investigates and mitigates the causes of defective production, documents factory delivery consistency, and periodically performs factory evaluation. The goal is to boost Coaster brand to penetrate other major distribution channels.

#### 1.4.2 Mid- and Long-Term Goals:

With respect to long-term business expansion strategy, Coaster will focus on the following areas:

- (1) Coaster will build a comprehensive database to enable more detailed data analysis and support the decision-making of supply chain management. The database retains related information on product, sales, operation, and industry.
- (2) Coaster will explore foreign furniture market opportunities: By leveraging know-how on supply-chain operation, Coaster will explore furniture market opportunities outside of the America.
- (3) Coaster will initiate the process of business process automation: By leveraging big-data technology to support decision-making and managing the dynamic of market challenges and opportunities.

## 2. Market and Sales Overview

### 2.1 Market Analysis

#### 2.1.1 Main Products and Service Areas

NT\$'000 ; %

Region \ Year	2018		2019		2020 Q1	
	Amount	%	Amount	%	Amount	%
USA	11,781,643	98.07	11,566,095	98.54	2,356,088	99.30
Others	231,813	1.93	171,288	1.46	16,490	0.70
Subtotal	12,013,456	100.00	11,737,383	100.00	2,372,579	100.00

#### 2.1.2 Market Share

Coaster is a supplier of furniture products in U.S. Per 《Furniture Today》, the Top-20 U.S. furniture suppliers collectively sold USD 13.1 billion of furniture in 2018. Coaster is in the middle of U.S. key furniture suppliers with 2018 sales of NT\$ 12.013 billion ( around US\$ 391 million in U.S.).

U.S. furniture market is relatively diversified. Currently, there are few dominated lead U.S. furniture suppliers. Per Coaster assessment, within the

mid-price point indoor-furniture category.

Within the ecommerce furniture fulfillment segment, Coaster is one of the lead suppliers to U.S. mainstream furniture e-retailers. Coaster offers appealing styles with affordable prices to consumers to purchase online. Coaster provides solutions to e-retailers to satisfy their furniture ecommerce logistics needs.

### 2.1.3 Growth Potential

U.S. is the world largest consumer market, with a population over 300 million and higher disposable income. It is estimated that for every three pieces of furniture sold in the globe, at least one piece was sold to a U.S. consumer. This is due to the larger average living space, higher disposable household income, and over 1 million of new immigrants come to U.S. each year. The new houses and immigrants create robust furniture demands.

With the recovery of U.S. economy, demands on furniture and bedding products are expected continue growing. Based on a 2015 report on U.S. consumption, the total U.S. consumption of furniture and bedding products reached to USD 102 billion. The report projected a 19.6% growth over the next 5 years, and by 2020, the U.S. consumption on furniture and bedding will be around USD 122 billion.

With the size of U.S. furniture market and Coaster's position in the Top-10 U.S. furniture suppliers, Coaster is positioned to expand its U.S. market share beyond 2% in the future.

### 2.1.4 Core Competency

Over the past 35 years, Coaster has developed a diversified dealer base; consists of brick and mortar furniture retailers and several largest U.S. furniture e-retailers. Coaster's 8,000 independent furniture retailer base accounts for about 25% of the U.S. furniture retailers. For lesser than 6 years, Coaster has successfully developed efficient ecommerce fulfillment platforms for many major U.S. e-retailers. The multiple distribution channels meet the requirements of brick & mortar furniture stores and major ecommerce retailers and position Coaster for continue growth.

#### (1) Coaster Brand Value

Coaster values its corporate image highly. Coaster stresses the importance of product quality & safety, customer services, employee benefits, regulatory compliance and corporate social responsibility. Coaster brand represents value to its customers and consumers.

#### (2) Relationship with Other Supply Chain Partners

Coaster establishes reliable relationship with its key supply-chain partners and stakeholders, including factories, dealers, consumers, and major service providers. Coaster offers competitive furniture products and innovative business solutions. Coaster gains trust from its dealers and factories. By leveraging the latest IT technology, Coaster offers electronic transaction solutions to factories and dealers to minimize transaction cost.

#### (3) Efficient Supply Chain Management

Coaster develops various electronic transaction platforms to facilitate the

efficiency and convenience of business transactions, including factory order placing system, dealer purchase system, logistics & shipping information system, and EDI transaction system for ecommerce. With the EDI system support and packaging automation for drop-shipment, Coaster gains leadership role at this fast-growing channel of furniture ecommerce fulfillment in the U.S.

(4) Electronic System Solutions for Brick and Mortar Dealers

Coaster offers IT technology solutions to dealers for purchasing from Coaster with convenience and efficiency. Dealers can go on-line to check the status of real-time inventory at nearby Coaster warehouses for purchases 24/7. For qualified dealers, Coaster offers factory direct shipment solution, where full- container of products can be shipped directly from factories to dealer designated locations worldwide, where dealers enjoy the benefit of logistics cost-savings.

(5) Advantages and Disadvantages of Future Developments and Proposed Strategies

A. Favorable Factors:

a. Comprehensive product mix:

Coaster offers over 4,000 selections of furniture products to U.S. consumers. The wide-range of Coaster products including living room, bed room, dinning, youth and accent groups. Coaster provides product catalogs and price books with updated information every 4 to 6 months. In 2019, Coaster introduced 4 sub-brand: CoasterEveryday, CoasterEssence, and CoasterElevations. With multiple product lines, tailored solutions for distribution and marketing, Coaster is well-positioned to further penetrate U.S. furniture market. By segregating the U.S. furniture market with product lines and distribution models, Coaster can more effectively penetrate this world's largest furniture consumer market: United States.

b. Multiple Distribution Channels:

Traditionally, U.S. independent furniture stores compose the core customer base to Coaster. These stores rely on the assortments of Coaster inventory for resale. With Coaster inventory store at nearby warehouses, independent furniture stores can minimize their investment in additional inventory and maximize their profit. With the emerging of ecommerce, over the past few years, Coaster has developed its ecommerce distribution channel by providing furniture fulfillment service to many major ecommerce retailers.

The multiple distribution business channels of independent retailers, regional chain stores, and ecommerce fulfillment diversify business risk and provide Coaster with sustainable growth opportunity.

c. U.S. Furniture Market Depth

As the world largest furniture consumption market, U.S. furniture industry provides a reliable infrastructure for marketing, logistics and channel distribution. The well-structured U.S. furniture

industry enables manufacturers, distributors, and retailers focus on targeted segments of the market and provide consumers with better products and services.

Coaster offers a wide-range of products and has developed multiple distribution channels. Coaster is positioned itself for sustainable growth in this world largest furniture market.

d. Well-Positioned Warehouses in U.S.

In 1981, Coaster established its first warehouse in Los Angeles to support the needs of its local dealers. Since then, Coaster expands its operation to other cities by establishing additional U.S. warehouses and distribution centers to better service other major regional markets.

Today, with its eight U.S. branch warehouses and four distribution centers worldwide, Coaster offers efficient supply chain warehousing and distribution to its furniture dealers and customers.

In addition, with its comprehensive distribution and warehousing network, Coaster is empowered to meet the challenging fulfillment requirements of major U.S. e-retailers; and enjoys the fast growing furniture ecommerce momentum.

e. Supply Chain Management with IT Platforms

Coaster invests heavily in building its proprietary IT systems to achieve efficiency in managing furniture supply chain. With various in-house developed operation resource planning and decision support systems, Coaster gains efficiency on procurement and warehousing.

With the support of IT systems, Coaster begins analyzing “big data” retained from internal operations and transactions with other external supply chain participants. It is expected that, in the near future, Coaster will gain better understanding of the dynamic of the furniture industry, and be more responsive in meeting challenges and capturing opportunities.

B. Unfavorable Factors:

a. Erosion of Independent Furniture Retailing

Exposure and Challenge:

The 2008 financial tsunami tightened credit facility and limited consumer spending on furniture. Over the past decade of recovery, U.S. furniture retail industry has also undergone major landscape changes, with the faster emerging of furniture ecommerce retailing and the expansion of regional furniture chain stores. In the meantime, independent furniture retailers are facing various challenges from ecommerce marketing and consumer requesting for better shopping experiences.

In general, the strength of independent furniture retailers is their ability to deeper penetrates and services U.S. consumers geographically. Independent furniture stores rely on Coaster inventory and marketing material to close sales. However,

many independent furniture retailers are constrained with ecommerce marketing and technology-enabled retailing.

Exposure Mitigation:

Coaster diversifies its distribution channels by expanding ecommerce fulfillment service, and developing new product lines for regional furniture retailers. Currently, regional chain and mass merchant stores account for about 75% of the U.S. brick and mortar furniture sales. With the dedicated resource and product line, Coaster has opportunities to penetrate this currently low presence sector.

Since U.S. independent furniture stores is still an import segment of U.S. brick and mortar furniture retailing; Coaster is providing various IT platforms and training to enable independent furniture stores to market Coaster products more effectively. In addition, to assist dealers managing their cash flow, Coaster obtains credit insurance to facilitate credit sales. Coaster provides various logistics options to dealers for shipping merchandise from Coaster warehouses to dealer stores or consumers in a most efficient and convenience manner (e.g., minimizing dealers' logistics cost).

b. Longer Lead Time of Overseas Sourcing:

Exposure and Challenge:

Overseas furniture factories offer a variety of product selections, with the specialized workmanship and competitive prices. A major challenge of sourcing overseas is the longer production and transportation lead-time, which, potentially, leads to excessive inventory investment by U.S. import distributors.

With the minimum order quantity (MOQ) required by factories and the lack of demand projections by its dealers, Coaster has to keep sufficient inventory to support demands of ecommerce and brick-and-mortar retailers. Coaster exposes to excessive inventory risk.

Exposure Mitigation:

Over decades of operation, Coaster is familiar with the purchase pattern of brick and mortar dealers. Recently, with the growth of its ecommerce fulfillment business, Coaster gains better understanding of the behavior of consumers shopping online and the relationship between ecommerce marketing on consumer demands.

With accumulated knowledge of analyzing data, Coaster is more effectively projecting the demands and mitigating shortage or excessive inventory risks. By leveraging decision support systems, Coaster can better manage product life-cycle demands, slow-moving inventory promotion, and procurement ordering. Coaster is expected to more effectively maintain an

adequacy inventory and mitigate inventory risks.

c. Unstable Supply of Factory Labor

Exposure and Challenge:

Most of the company's furniture goods are imported from Asia: China, Malaysia, Vietnam, Indonesia and Taiwan and others. In 2019, the cost of imported furniture goods were raised under the influence of U.S.-China trade war. Besides, Asia furniture manufactures periodically face labor shortage. Shortage of labor or materials disturbs the stability of Coaster supply chain. In particular, the labor shortage issue is akin during the Lunar new year period, where most of Asia factories close for a period of 2 to 3 weeks.

Exposure Mitigation:

Coaster retains information on factory capacity, the material used and production lead-time. In the future, with the standardization of production and material sourced, the risk can be mitigated with multiple factories make the same products. Coaster also keep working with selected factories on longer-term production planning; which enables factories to smooth the flow of their productions. Further, to mitigate the negative impact of additional U.S. tariff on China products, Coaster is diversifying product sourcing to other Asian factories or gradually reflecting the tariff charge to its wholesales prices.

d. U.S. Labor Cost Increase

Exposure and Challenge:

U.S. labor market-hiring cost and state-required minimum wages are on the rise. This is due to the recovery of U.S. economy and the improvement of employment. In addition, the related U.S. work injury insurance cost also increased substantially over the past few years. The increase of U.S. labor and hiring cost could negatively affect the financial performance of Coaster.

Exposure Mitigation:

Coaster takes multiple steps to mitigate the rise of U.S. labor cost and loss of experienced/talented employees, including: (a) increase workforce productivity with better work flow planning and scheduling, (b) develop talented workforce pool by providing external and on-the-job training programs, and (c) reduce the turn-over of experienced workforce by providing employee with attractive insurance, retirement plan and other fringe benefits.

## 2.2 Main Features and Production Process of Major Products

Coaster sources indoor furniture products from unrelated overseas factories. Coaster does not perform manufacturing activities.



### 2.3 Production Material Sourcing

Coaster is not a manufacturer. Thus there are no raw material requirements.

### 2.4 Major Suppliers /or Customers Who Account for above 10% (inclusive) of Purchases /or Sales in Recent 2 Years

#### 2.4.1 Suppliers who account for above 10% (inclusive) of purchases in recent 2 years

Coaster does not source from any single supplier that accounts for more than more than 10% of Coaster annual purchases during the reporting period of 2016 to 2017. The variance analysis requirement is not applicable

#### 2.4.2. Customers who account for above 10% (inclusive) of sales in recent 2 years

NT\$'000

No	2018				2019				2020 Q1			
	Name	Amonut	%	Relatio n with Issuer	Name	Amonut	%	Relation with Issuer	Name	Amonut	%	Relatio n with Issuer
1	Customer A	1,079,274	8.98	None	Customer A	1,139,261	9.71	None	Customer A	244,328	10.30	None
2	Others	10,934,182	91.02	-	Others	10,598,122	90.29	-	Others	2,128,251	89.70	-
	Total	12,013,456	100.00	-	Total	11,737,383	100.00	-	Total	2,372,579	100.00	-

#### Variance Analysis :

Customer A is an Ecommerce retailer. For the rapid growth of Ecommerce business these years, the company's sales amount to Customer A is also steadily increased, the sales percentage to Customer A in 2018, 2019 and 2020 Q1 are 8.89%, 9.71 and 10%.

### 2.5 Volume and Value of the Production in Recent Two Years:

Coaster does not perform manufacturing activities; this reporting requirement is not applicable.

### 2.6 Sales Volumes for Recent 2 years

NT\$'000 ; piece

Item	2018				2019			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Bedroom	0	0	985,298	4,297,682	0	0	885,696	4,025,423
Living Room	0	0	613,054	3,394,860	0	0	545,198	3,354,137
Dining Room	0	0	462,416	1,782,869	0	0	392,813	1,645,182
Accents Group	0	0	432,087	1,217,082	0	0	399,093	1,236,229
Home Office	0	0	241,002	825,845	0	0	237,021	895,955

Item	2018				2019			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Recreation Room	0	0	155,075	417,320	0	0	175,169	514,290
Office Furniture	0	0	60	45	0	0	1	2
Others	0	0	113,436	77,753	0	0	89,963	66,166
Subtotal	0	0	3,002,427	12,013,456	0	0	2,724,933	11,737,383

#### Variance Analysis :

During the reporting period of 2018 to 2019, sales revenue and its relative percentage derived from each of the major product group did not change materially. This reporting requirement is not applicable.

### 3. Information about Employees

Unit: person

Year		2018	2019	April 30, 2020
Number of Employees	Managers	98	96	92
	Direct employees	314	284	273
	Common employees	376	342	335
	Total	788	722	700
Average Age (years)		41.68	43.42	43.32
Average Years of Service (years)		6.77	8.24	8.62
Education	Master and Ph.D.	20	21	22
	College	328	288	280
	High School	440	413	398

### 4. Environmental Protection Expenditure

During the reporting period, Coaster did not incur material loss or penalties that were attributable to the violation of environmental law or regulation. This reporting requirement does not apply.

### 5. Labor Relationship

5.1 Description of Policies and Programs related to Welfare, Learning, Training and Retirement of Employees, as well as various protections of Employee Rights and Benefits :

#### 5.1.1 Fringe Benefit Programs

Coaster provides various employee benefit programs, including group insurance, retirement plan, unemployment insurance, education cost subsidy and other related fringe benefits. Per Corporate Articles, each year, Coaster allocates the required amounts to employee bonus and incentive funds.

#### 5.1.2 Human Resource Development and Staff Training

Coaster develops human resource talents. Based on job functions and responsibilities, Coaster provides various tailored on-site and on-line training programs to its staff and officers.

Coaster encourages employees to take job-related outside training courses, and provides subsidy on training cost reimbursement for qualified training programs.

#### 5.1.3 Retirement Programs

Coaster provides its employees with retirement program benefits and is in compliance with the local regulatory requirements of making contributions to the designated accounts.

In U.S., Coaster provides all the qualified employees with retirement benefits. Under U.S. tax law of Sec. 401K, on monthly basis, Coaster contributes a pre-determined amount to the retirement account for each qualified employee participant.

In China, Coaster local subsidiaries are in compliance with Chinese employee retirement regulations by making monthly contributions to the designated retirement account managed by the local Chinese government.

In Taiwan, under Taiwan labor retirement regulations, Coaster Taiwan subsidiary makes monthly retirement fund contribution to the individual retirement account of each qualified employee. For each qualified Taiwan employee, the amount of monthly corporate contribution equals to 6% of the individual monthly payroll.

Coaster and subsidiaries are in compliance with the employee retirement contribution regulations in the applicable jurisdictions in which they operate.

#### 5.1.4 Labor Contracts, Disputes and protection of employee benefits

Coaster maintains a good relationship with its employees. Coaster establishes channels of appeal for employees on labor disputes. As of this annual report printing date, there was no major labor dispute case reported.

#### 5.2 Losses of the Company and its subsidiaries caused by labor disputes, and disclosure of frequency and specifics of action plans of recent and future possible labor disputes in the year of the Annual Report being Published:

None.

## 6. Important Contracts and Agreements

### 6.1 Coaster International Co., Ltd.

Transaction	Counter Party	Period	Major Contents	Covenants
Information Systems Agreement	Data System Consulting Co., Ltd.	2015/10/30 Effective Date	<ol style="list-style-type: none"> <li>1. Data System Consulting Co., Ltd. should deliver and install the software and relevant hardware, Coaster and its subsidiaries have the authority of usage of the packaged software provide by Data System Consulting Co., Ltd.</li> <li>2. The rights stipulated is non-exclusive and cannot be transferred to a third party.</li> <li>3. Coaster should pay consulting services fees and customized coding fees under the contract.</li> </ol>	Confidential Clause

### 6.2 COA, Inc.

Transaction	Counter Party	Period	Major Contents	Covenants
Credit Line Agreement	Wells Fargo Bank	2010/6/1-2012/6/30 (Eighth Amendment from 2018/12/31 to 2019/11/1)	Credit Agreement, including the Credit Line, Revolving Line and other terms.	Guaranteed with the Inventory, facility, Account Receivable and other Assets of COA.
Collection Factoring and Security Agreement	BB&T Factors Corporation, changed to <b>Rothensal &amp; Rothensal</b> on 2018/1/31	Effective from 2002/11/2 (May extend for each additional full year with mutual agreements)	Accounting Receivable Factoring and terms of transfer.	None
Business Credit Insurance	Euler Hermes North America	2018/3/1-2019/2/28	The Credit Insurance of Accounting Receivable	None
Leasing Agreement	Majestic Realty Co. & FAIRWAY SUB E, LLC	2011/1/7-2016/6/30 2016/7/1~2021/06/30	Los Angeles Branch Lease Agreement	None
Leasing Agreement	DCTGRAND RIVER LP	2015/9/1-2022/8/31	Texas Branch Lease Agreement	None
Leasing Agreement	Matrix Stults Road Associates, LLC	2011/7/1-2016/6/30 2016/7/1~2021/6/30	New Jersey Branch Lease Agreement	None
Leasing Agreement	Majestic South Fulton Building 1, LLC & NM Majestic Holdings, LLC	2019/9/1-2024/8/31	Atlanta Branch Lease Agreement	None
Leasing Agreement	Prologis Targeted U.S. Logistics Fund, LP	2018/9/1-2023/8/31	Chicago Branch Lease Agreement	None

Transaction	Counter Party	Period	Major Contents	Covenants
Customer Agreement	Amazon Fulfillment Service Inc.	Effective from 2012/9/5 (May extend for each additional full year with mutual agreements)	General sales agreement.	None
Supply Agreement	Hup Chong Furniture Sdn. Bhd.	Effective from 2014/3/4-2015/3/3 (May extend for each additional full year with mutual agreements)	General procurement agreement	None
Supply Agreement	Favourite Design Sdn. Bhd.	Effective from 2013/10/4-2014/10/3 (May extend for each additional full year with mutual agreements)	General procurement agreement	None
Supply Agreement	MEICHA FURNITURE CO., LTD	Effective from 2013/06/01-2014/05/31 (May extend for each additional full year with mutual agreements)	General procurement agreement	None

## VI. Financial Information

### 1. Five-Year Financial Summary

#### 1.1 Condensed Balance Sheets & Statements of Comprehensive Income - Taiwan-IFRSs

##### 1. Condensed Consolidated Balance Sheets

NT\$'000

Year Item		Financial Information in Recent 5 years					2020 Q1
		2015	2016	2017	2018	2019	
Current Assets		4,716,618	4,366,890	4,971,743	4,437,329	3,858,966	3,662,779
Property, Plant and Equipment		148,684	126,859	106,634	98,284	104,505	99,121
Intangible Assets		24,813	41,797	35,509	43,206	37,298	34,617
Other Assets		410,143	410,980	316,971	341,058	2,122,613	2,025,124
Total Assets		5,300,258	4,946,526	5,430,857	4,919,877	6,123,382	5,821,640
Current Liabilities	Before Distribution	2,539,928	1,554,689	2,557,090	2,027,724	2,174,463	2,052,079
	After Distribution	2,539,928	1,860,912	2,580,057	2,027,724	2,174,463	2,052,079
Noncurrent Liabilities		110,401	116,952	137,045	129,429	1,373,331	1,245,383
Total Liabilities	Before Distribution	2,650,329	1,671,641	2,694,135	2,157,153	3,547,794	3,297,462
	After Distribution	2,650,329	1,977,864	2,717,102	2,157,153	3,547,794	3,297,462
Equity Attributable to Shareholders of the Parent		2,649,929	3,274,885	2,736,722	2,762,724	2,575,588	2,524,178
Capital Stock		665,557	765,557	765,557	765,557	765,557	765,557
Capital Surplus		1,532,819	1,777,791	1,786,070	1,789,584	1,791,308	1,791,308
Retained Earnings	Before Distribution	338,240	639,541	359,636	316,183	165,013	104,970
	After Distribution	338,240	333,318	336,669	316,183	165,013	104,970
Others		113,313	91,996	(174,541)	(95,752)	(133,442)	(124,809)
Treasury stocks		0	0	0	(12,824)	(12,848)	(12,848)
Total Equity	Before Distribution	2,649,929	3,274,885	2,736,722	2,762,724	2,575,588	2,524,178
	After Distribution	2,649,929	2,968,662	2,713,755	2,762,724	2,575,588	2,524,178

2. Condensed Consolidated Statements of Comprehensive Income --  
Taiwan-IFRSs

NT\$'000

Item \ Year	Financial Information in Recent 5 years					2020 Q1
	2015	2016	2017	2018	2019	
Operating revenues	11,655,099	12,200,847	11,913,042	12,013,456	11,737,383	2,372,579
Gross profit	3,405,279	3,771,925	3,562,475	3,318,535	3,363,336	675,700
Operating profit	329,315	534,227	291,455	(2,468)	2,580	(51,665)
Non-operating income and expenses	(37,565)	(35,902)	(63,563)	(47,171)	(122,188)	(28,331)
Profit before income tax	291,750	498,325	227,892	(49,639)	(119,608)	(79,996)
Profit for the year	177,584	348,815	28,531	(21,950)	(72,226)	(60,043)
Other comprehensive income (loss)	88,730	(22,351)	(268,750)	80,253	(38,452)	8,633
Total comprehensive income (loss)	266,314	326,464	(240,219)	58,303	(110,678)	(51,410)
Net income attributable to owner of the Company	177,585	348,815	28,531	(21,950)	(72,226)	(60,043)
Net income (loss) attributable to non-controlling interests	(1)	0	0	0	0	0
Total comprehensive income attributable to owner of the Company	266,315	326,464	(240,219)	58,303	(110,678)	(51,410)
Total comprehensive income (loss) attributable to non-controlling interest	(1)	0	0	0	0	0
EPS (NT\$)	2.67	5.03	0.37	(0.29)	(0.95)	(0.79)

1.2 Names and Opinions of Independent Auditors in Recent Five Years

1. Opinions of Independent Auditors in Recent Five Years

Year	Name of CPA	Auditing Firm	Auditing Opinion	Note
2015	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-
2016	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-
2017	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-
2018	Audrey Tseng, Penny Pan	PwC	Unqualified opinion	-
2019	Audrey Tseng, Penny Pan	PwC	Unqualified opinion	-

2. Before the date of publication of the annual report, is there any financial data for the most recent period audited and attested or reviewed by a CPA:

Not applicable.

## 2. Financial Ratio Analysis -- IFRS

### 2.1 Financial Ratio Analysis (Consolidated)

Year		Financial Ratio Analysis for Recent 5 years					
Item		2015	2016	2017	2018	2019	2020 Q1
Financial structure (%)	Ratio of liabilities to assets	50.00	33.79	49.61	43.85	57.94	56.64
	Ratio of long-term capital to property, plant and equipment	1,856.5 <sub>1</sub>	2,673.7 <sub>1</sub>	2,694.98	2,942.65	3,778.69	3,802.99
Liquidity analysis (%)	Current ratio	185.70	280.89	194.43	218.83	177.47	178.49
	Quick ratio	38.34	92.56	46.17	64.81	58.85	53.92
	Interest coverage ratio (times)	1,568.0 <sub>0</sub>	3,181.4 <sub>1</sub>	1,096.34	(62.28)	0.56	(212.41)
Operating ability	Receivables turnover (time) (Note2)	15.21	15.06	14.32	14.19	14.04	12.68
	Average collection period (days) (Note2)	23.99	24.23	25.48	25.72	25.99	28.78
	Inventory turnover (times)	2.31	2.61	2.57	2.60	3.05	2.78
	Payables turnover (times)	10.86	12.85	12.98	13.63	18.67	19.10
	Average sales days (days)	158.00	139.84	142.02	140.38	119.67	131.29
	Property, plant and equipment turnover (times)	83.51	88.56	102.04	117.25	115.76	93.21
	Total assets turnover (times)	2.26	2.38	2.30	2.32	2.13	1.59
Profitability analysis	Return on total assets( % )	3.68	7.03	0.61	(0.16)	0.01	(2.73)
	Return on shareholders' equity ( % )	7.10	11.77	0.95	(0.80)	(2.71)	(9.42)
	Income before tax to Capital Ratio (%)	43.84	65.09	29.77	(6.48)	(15.62)	(41.80)
	Net Income Ratio ( % )	1.52	2.86	0.24	(0.18)	(0.62)	(2.53)
	Basic EPS (NT\$) (Note 5)	2.67	5.03	0.37	(0.29)	(0.95)	(0.79)



Year Item		Financial Ratio Analysis for Recent 5 years					
		2015	2016	2017	2018	2019	2020 Q1
Cash flow	Cash Flow Ratio ( % )	Note3	82.05	Note 3	32.44	23.71	21.49
	Cash Flow Equivalent Ratio ( % )	Note4	35.78	0.51	Note 3	89.83	151.98
	Cash Reinvestment Ratio ( % )	Note3	30.71	Note 3	18.08	18.09	15.86
Leverage	Operating Leverage	9.62	6.34	10.97	Note 3	1,158.07	Note 3
	Financial Leverage	1.06	1.03	1.09	0.07	Note 3	0.67

Analysis of variation over 20% in recent 2 years:

1. Increase of “Ratio of liabilities to assets” and “Ratio of long-term capital to property, plant and equipment”:  
For the adoption of new accounting rule, IFRS 16, the amount of Lease liabilities (current and non-current) increased obviously larger than the amount of Right-of-use assets.
2. Increase of “Interest coverage ratio” and “Return on total assets” :  
Mainly caused by an increased of Earnings before interest and tax and Earnings before interest and after tax.
3. Increase of “Payables turnover”:  
The company reduced its procurement amount of inventory to maintain an adequate level of inventory, led to a lower Accounts Payable at the end of year 2019.
4. Decrease of “Return on shareholders’ equity”, “Income before tax to Capital Ratio”, “Net Income Ratio” and “Basic EPS”:  
Mainly caused by an expanded loss (after tax) for year 2019.
5. Decrease of “Cash Flow Ratio”:  
For the adoption of new accounting rule, IFRS 16, the amount of Lease liabilities (current and non-current) of 2019 obviously increased, added the Loss for the year 2019 was expanded than previous, led to a lower Net cash provided by operating activities.

Note1 : The financial information above is derived from audited consolidated financial statements.

Note2 : According to IAS39, the account receivable finance is reclassified to other receivable. The Receivables turnover (time) and Average collection period (days) on this table represent the ratio before the reclassification. The factoring account receivable of 2015 ~ 2019 and 2020 Q1 are NTD 265,989 thousand, 277,523 thousand, 281,399 thousand, 223,674 thousand, 135,895 thousand and 111,154 thousand.

Note3 : No calculation conducted because of the negative Operating Activity Net Cash Flow.

Note4 : No calculation conducted because application of IFRS is less than five years.

Note5 : Financial Analysis Calculation Formula :

1. Financial structure

(1) Ratio of liabilities to assets = Total Liabilities/ Total Assets

(2) Ratio of long-term capital to property, plant and equipment = (Shareholders’ Equity+ Long-Term Liabilities)/ Net Fixed Assets

2. Liquidity analysis

(1) Current Ratio= Current Assets/ Current Liabilities

(2) Quick Ratio= (Current Assets- Inventories- Prepaid Expenses)/ Current Liabilities

(3) Interest coverage ratio (times) = Earnings before interest and tax/ Interest Expenses

3. Operating ability

(1) Receivables turnover (time) = Net Sales/ Average Receivables (including accounts receivable and notes receivable arising from operation)

(2) Average collection period (days) = 365/ Turnover of Receivable

(3) Inventory turnover (times) = Cost of Goods Sold/ Average Inventory

(4) Payables turnover (times) = Cost of Goods Sold/ Average Accounts Payable (including accounts payable and notes payable arising from operation)

(5) Average sales days (days) = 365/ Turnover of Inventory

(6) Property, plant and equipment turnover (times) = Net Sales/ Net Fixed Assets

(7) Total assets turnover (times) = Net Sales/ Total Assets

4. Profitability analysis

(1) Return on total assets = (Net Income+ Interest Expenses\* (1- tax rate)/ Average Total Assets

(2) Return on shareholders' equity = Net Income/ Average Shareholders' Equity

(3) Net Income Ratio = Net Income/ Net Sales

(4) EPS, Earnings Per Share = (Net Income- Preferred Stock Dividends) / Weighted Average Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio= Net cash provided by operating activities/ Current Liabilities

(2) Cash Flow Equivalent Ratio = Five-year Sum of Cash from Operations/ Five-year sum of capital expenditures, inventory additions and cash dividends

(3) Cash Reinvestment Ratio= (Cash Provided by Operating Activities- Cash Dividends)/ (Gross Fixed Assets+ Long-Term Investments+ Other Assets+ Working Capital)

6. Leverage

(1) Operating Leverage= (Net Sales- Variable Cost)/ Operating Income

(2) Financial Leverage= Operating income/ (Operating income- Interest Expense)

Note6 : The following must be taken into consideration when calculating earnings per share according to the above equation:

1. The weighted average number of common shares should be applied as the basis, not the number of shares issued by the end of the year.
2. When conducting cash capital increase or treasury share transactions, the circulation period has to be taken into account to calculate the weighted average number of shares.
3. When conducting capital increase out of earnings or capital reserves, calculation of the earnings per share in previous years and half-years has to include retrospective adjustments according to increase ratios and the time of new share issuance for the capital increase need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their dividends for the year (whether issued or not) have to be subtracted from the after-tax net profit or the after-tax net loss has to be increased. If the preferred shares are non-cumulative and there is net profit after tax, the preferred share dividends have to be subtracted from the after-tax net profit; if there is loss, no adjustment is needed.

Note7 : The following must be taken in cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities indicated in the cash flow statement.
2. Capital expenditure refers to the annual outflow of cash for capital investment.
3. Inventory increases are calculated only when the ending balance is larger than the initial balance; if the inventory is reduced at the end of the year, it is calculated as zero.

4. Cash dividends include cash dividends for common shares and preferred shares.

5. Gross Property, plant and equipment are the total Property, plant and equipment before cumulative depreciation is subtracted.

Note8 : The issuer is required to classify various operating costs and expenses as fixed and variable according to their nature. If estimation or subjective assessment is involved, it must be conducted with reason and consistency.

Note9 : If the company shares are without face value or the face value is not NT\$10, the aforesaid calculation of ratio of paid-in capital has to be replaced with calculation of ratio of equity attributable to parent indicated in the balance sheet.

### 3. Audit Committee Audit Report on the 2018 Financial Statement (Translation)

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements, 2019 Business Report and proposal for profit and loss appropriation of 2019 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2019 Business Report and proposal for profit and loss appropriation of 2019 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

**COASTER INTERNATIONAL CO., LTD.**

**Chairperson of the Audit Committee**

On the date of March 27, 2020

4. The financial statement for the most recent year:

Please refer to page 121.

5. CPA-audited/certified individual financial statements in recent years

Not applicable.

6. The impact on company finance from cash flow problems encountered by the company or any of its affiliates in the most recent year and prior to the date of printing of the annual report

None.

## VII. Review and Analysis of Financial Status and Performance and Risks

### 1. Financial Status

NT\$'000

Item \ Year	2018	2019	Difference	
			Amount	%
Current assets	4,437,329	3,858,966	(578,363)	(13.03)
Property, plant and equipment	98,284	104,505	6,221	6.33
Intangible assets	43,206	37,298	(5,908)	(13.67)
Other assets	341,058	2,122,613	1,781,555	522.36
Total assets	4,919,877	6,123,382	1,203,505	24.46
Current liabilities	2,027,724	2,174,463	146,739	7.24
Non-current liabilities	129,429	1,373,331	1,243,902	961.07
Total Liabilities	2,157,153	3,547,794	1,390,641	64.47
Ordinary share	765,557	765,557	0	0.00
Capital surplus	1,789,584	1,791,308	1,724	0.10
Retained earnings	316,183	165,013	(151,170)	(47.81)
Other equity interest	(108,600)	(146,290)	(37,690)	(34.71)
Total equity	2,762,724	2,575,588	(187,136)	(6.77)
<p>Explanation for ratio increase / decrease changes achieving over 20% or amount of increase/decrease changes above NT\$10 Million :</p> <ol style="list-style-type: none"> <li>1. Increase of “Other assets” and “Non-current liabilities”: Mainly attributable to the adoption of new accounting rule, IFRS 16, the company recognized huge amount of Right-of-use assets and Lease liabilities.</li> <li>2. Decrease of “Retained earnings”: Mainly caused by the Net Loss for year 2019 and the adoption of IFRS 16 which caused a related retrospective adjustment.</li> <li>3. Changes on “Other equity interest”: Mainly due to the exchange difference caused by consolidation of foreign subsidiaries financial statement.</li> </ol>				

Source : The financial information above is derived from audited consolidated financial statements.

## 2. Financial Performance

### 2.1 Comparability and analysis on business performance

NT\$'000

Item \ Year	2018	2019	Amount of Increase or Decrease	Ratio of Change
Operating revenues	12,013,456	11,737,383	(276,073)	(2.30)
Gross profit	3,318,535	3,363,336	44,801	1.35
Operating expenses	3,321,003	3,360,756	39,753	1.20
Operating income	(2,468)	2,580	5,048	204.54
Non-operating income and expenses	(47,171)	(122,188)	(75,017)	(159.03)
Profit (Loss) before income tax	(49,639)	(119,608)	(69,969)	(140.96)
Income tax expenses (benefit)	(27,689)	(47,382)	(19,693)	71.12
Net profit (loss) for the year	(21,950)	(72,226)	(50,276)	(229.05)
Other comprehensive income (loss)	80,253	(38,452)	(118,705)	(147.91)
Comprehensive income (loss)	58,303	(110,678)	(168,981)	(289.83)
<p>Explanation of ratio increase/decrease changes achieving over 20% or amount of increase/decrease changes above NTD 10 Million:</p> <ol style="list-style-type: none"> <li>Increase of “Non-operating income and expenses”: Mainly caused by the adoption of IFRS 16, the company recognized huge interest expenses on lease liabilities.</li> <li>Increase of “Loss before income tax” and “Net loss for the year”: The company’s net loss mainly caused by the negatively impacted of the U.S.-China trade war as well as the phased out of co-branding project that the company disposed the co-brand inventory with substantial discounts in Q4, altogether negatively influenced the gross margin ratio. Added with an increased selling expenses contributed by investing on new website design and onlin social media advertisement, and an increased total Lease payments which caused by the adoption of IFRS 16 (at early stages) which led to a higher tenancy-related expenses.</li> <li>Increase of “Income tax benefit”: Mainly because the Net Loss (before tax) of 2019 were higher than the previous year.</li> <li>Increase of “Other comprehensive loss”: Mainly impact by the volatility of currency exchange rates, a stronger NTD to USD</li> </ol>				

at 2019 year end (compared to the year end of 2018) led to a lower “Exchange differences on translation of foreign financial statements” on book.

Source : The financial information above is derived from audited consolidated financial statements.

## 2.2 Sales Forecasts and Assumptions

Not applicable.

## 2.3 Likely influence on company finance in the future and contingency plans

No significant influence.

# 3. Cash Flow

## 3.1 Analysis of cash flow changes in the most recent year

NT\$'000

Item \ Year	2018	2019	Amount of Increase or Decrease	Ratio of Change
Cash flows from operating activities	657,835	515,623	(142,212)	(21.62)
Cash flows from investing activities	(33,857)	(54,090)	(20,233)	(59.76)
Cash flows from financing activities	(581,948)	(475,717)	106,231	18.25
Analysis of changes in cash flow :				
(1) Decrease of “Cash inflows from operating activities”:				
Mainly caused by the expanded Loss of the year 2019.				
(2) Increase of “Cash outflows from investing activities”:				
Due to the purchase and replacement of for warehousing equipment for operational needs.				

## 3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of the liquidity of the group’s Asset is sufficient, remedial actions are not required.

## 3.3 Cash Flow Analysis for the Coming Year :

### 3.3.1 Operating activities: .

In the short run, it is expected that the company will be facing various negative impact from the U.S.-China trade war and the COVID-19 pandemic. In response, Coaster management has dedicated to implement solutions: through strengthen the supply-chain inventory management, deeper penetrate sales channel development, elevate operation efficiency, building digitalized data warehouse to store internal and external data, further its ability on analyzing data to enhance the quality and speed of decision-making, to maintain a sustainable operational cash flow for the coming year.



3.3.2 Investing activities: The Company will purchase and replace operational facilities base on future operational needs.

3.3.3 Financing activities: The Company will repay bank loans and lease liabilities base on future operational needs.

#### 4. Major Capital Expenditure Items

In 2019 the Company spent NT\$48.953 million for the procurement of storage facilities in warehouse. The Company has adequate own funds and these expenditures shall benefit operation and had no major impact on its financial position.

#### 5. Investment Policy in Last year, Main Causes for Profits or Losses, Improvement Plans and the investment Plans for the Coming Year

##### 5.1 Investment Policy in Last Year

The Company mainly focuses on its core business, not conducting investment in different industry. The execution is led by the responsible departments, following “investment cycle” of Internal Control System and the Procedures for Acquisition or Disposal of Assets. The internal rules mentioned above are approved by the Board of Directors and Annual General Meeting.

##### 5.2 Main Causes for Profits or Losses, Improvement plan

NT\$'000

Name of investor	Name of investee	Investment Gain (Loss) Recognized in 2019	Description
Coaster International Co. Ltd.	COA, Inc.	(117,577)	COA, Inc. is the major subsidiary of Coaster group. For completing our product mix to satisfy US consumer needs, caused an increase on warehouse cost, labor cost, and additional demurrage cost of containers.
Coaster International Co. Ltd.	COA Asia, Inc.	97,847	COA Asia, Inc. is a holding company of subsidiaries in Asia, with sales revenue from Canada and other areas outside the US.
Coaster International Co. Ltd.	CFS Global, Inc.	(118)	CFS Global, Inc. is an investment holding company, its subsidiary, CFS(USA), have been merged into COA, Inc. on August 1, 2017.
COA, Inc.	Deliverall Logistics, Inc.	1,435 (Note 1)	For providing transportation service to Coaster group.
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	(1,225) (Note 2)	For providing service of purchasing, logistics management and QC in Malaysia to Coaster group.

Name of investor	Name of investee	Investment Gain (Loss) Recognized in 2019	Description
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	10,127 (Note 2)	For providing service of purchasing, logistics management and QC in Vietnam to Coaster group, and the investment gain / loss came from its 100% owned subsidiary, Coaster Furniture Service (KunShan) Advisory Company.
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	17,162 (Note 2)	For providing purchasing, logistics management and QC service to Coaster group.
COA Asia, Inc.	Ye Hey Holding Co. Ltd.	6,301 (Note 2)	For the investment gain / loss came from its 100% owned subsidiary, Ye Hey (ShenZhen) Logistics Service Company.
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture Service (KunShan) Advisory Company	794 (Note 3)	For providing service of purchasing, logistics management and QC service in Central China and North China to Coaster group.
Ye Hey Holding Co. Ltd.	Ye Hey (ShenZhen) Logistics Service Company	385 (Note 4)	For providing service of purchasing, logistics management and QC in South China to Coaster group.

Note1: The company recognize the investment gain (loss) through its subsidiary COA, Inc.

Note2: The company recognize the investment gain (loss) through its subsidiary COA Asia, Inc.

Note3: The company recognize the investment gain (loss) through its subsidiary Coaster Furniture (Asia) Service Holdings Ltd.

Note4: The company recognize the investment gain (loss) through its subsidiary Ye Hey Holding Co. Ltd.

### 5.3 The investment Plans for the Coming Year : None.

## 6. Analysis of Risk Management

### 6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

#### 6.1.1. Interest Rate

The company have no long-term bank loans but for the need of short-run capital dispatch, the company have agreements with banks for obtain short-term borrowings. In 2019 and 2018, Coaster's interest expenses were NT\$ 38,987 thousand and NT\$ 30,589 thousand, account for 0.33% and 0.25% of the operating revenues respectively, which are insignificant. Coaster's accounting department keeps a close watch on interest rate changes and adjust fund utilization at the right time to avoid financial risk resulted from interest rate changes.

#### 6.1.2. Foreign Exchange Rate

The main purchasing and selling of the company is denominated in United States Dollars ('USD'), creating a natural hedge effect. Only a small portion of

sales revenue denominated in Canadian Dollars, accounts for less than 1% in 2019. Overall, the company's future profit or loss is not much affected by the foreign exchange rate fluctuation.

#### 6.1.3. Inflation

If inflations cause purchase costs to increase, the company will make appropriate adjustments to product price. Inflations won't be a significant issue on Coaster's gains and losses.

#### 6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

The Company is not engaged in lending of capital to other companies except for the ones between the Company and its subsidiaries, or the ones between its subsidiaries. The Company is not engaged in high-risk and high-leverage investments, and endorsements. The Company has laid down "Operational Procedures for Loaning of Company Funds", "Operational Procedures for Endorsements and Guarantees", "Operational Procedures for Acquisition or Disposal of Assets", and "Operational Procedures for Financial Derivatives Transactions", and with all resolutions passed at the shareholders' meeting, the Company will refer to relevant proceedings when dealing with related operational procedures.

#### 6.3 Future Research & Development Projects and Corresponding Budget

Coaster has no R&D activity. However, the company always values the efficiency brought by technology application, especially the information management systems applied on supply chain and logistics. The company will keep investing and developing ERP and decision support systems to maintain its leading position in the furniture industry.

#### 6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company is registered at the Cayman Islands with main operation in the United States. For many years, the U.S. Department of Commerce imposed anti-dumping order on Chinese-made wood bedroom furniture (WBF Order) to defend domestic furniture manufacturing industry. These years, the scope of anti-dumping orders become wider and stricter. Coaster have stopped the import of wood bedroom furniture from China since 2009, and will constantly monitor changes in relevant Orders and Rulings, and other major political policies or law provisions from home or abroad, to take appropriate response and measures when necessary. In 2019, US initiated a trade war with China, most of the China imported furniture products now subject to an additional tariff charge up to 25%. Coaster mitigating this additional tariff charge by diversifying its sourcing or gradually reflecting the tariff charge to its wholesales prices and hoping to minimizing the negative impact of US-China Trade war.

#### 6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

Coater sources indoor furniture products from China and Southeast Asia. Ever since China implemented the Labor Contract Law, salary has continued to

increase, the upstream supply chain continued to move to Southeast Asia. Coaster have built up a reliable quality control team that provide logistics and quality control functions in Malaysia and Vietnam. In addition, to mitigate the negative impact of additional tariff charge up to 25% on China import goods, Coaster is diversifying product sourcing to other Asian factories or gradually reflecting the tariff charge to its wholesales prices.

6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Coaster has set up a contact number to service our dealers, customers and provide instance assistance for our product users. Coaster values its corporate image highly. It emphasizes product quality & safety, customer service, employee benefit, regulatory compliance, and corporate social responsibility, which are keys for us to be successful in the market.

6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans

There has not been plans for merging, thus the risks are not applicable.

6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

There has not been plans of warehouse expansion from the Company, thus the risks are not applicable.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Group does not run the risk of over-concentration in purchase and the concentration of credit risk is limited too.

6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%

No such case during the most recent year and the current year up to the date of the publication of the annual report.

6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

The Company does not have risks associating with the changes in control over the Company.

6.12 The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company up to the date of annual report that might have material impact on stockholders' equity or Company stock price (facts in dispute, amounts involved, litigation commencement date, parties concerned, and progress as of the date of annual report): None.

6.13 Other major risks and response measures

6.13.1. Please see the section on page 75 for the report on Advantages and Disadvantages of Future Developments and Proposed Strategies.

#### 6.13.2. 30% withholding taxes imposed on cash dividend

The Company is registered at the Cayman Islands, directly and indirectly hold 100% shares of U.S. companies, COA, Inc., Deliverall Logistics, Inc. and CFS (USA). According to IRS, the company should be recognized as a U.S. company, and to declare U.S. federal income tax, which means, the dividend paid by Coaster to shareholders (Taiwan citizen) are subject to a withholding tax of 30%. If investors would like to more understand the impact to the investors under the detailed rules and restrictions provided by the U.S. laws and regulations and common laws, we suggest investors should consult the professional advisors.

#### 6.13.3. Labor cost increase

Workforces is a key factor in furniture production industry. Coaster sources products from Asia furniture manufactures, some of them are easily affected by seasonal lack of workforces and raw materials. To ensure the stability of supply chain, Coaster has established steady relationships with more than 200 manufactures and has solid experiences to handle and allocate capacity to different factories. By now, no concentration on few suppliers led to a significant shortage of stock occurred.

For the rise of U.S. labor cost, Coaster takes multiple steps to mitigate the risk: (a) increase workforce productivity with better work flow planning and scheduling, (b) develop talented workforce pool by providing external, in-house and on-the-job training programs, and (c) reduce the turn-over of experienced workforce by providing employee with attractive insurance, retirement plan and other fringe benefits.

#### 6.13.4. Risk to Shareholders' Equity Safeguards

There are many different provisions in the Company Act of the Cayman Islands and that of the R.O.C. Although the Company has amended its current Memorandum and Articles of Association ("AOA") in accordance with the provisions of the Taiwan Stock Exchange's 'Reference Model for Important Matters of Shareholders' Rights and Interests Protection', there are still many differences in the legal requirements of the two places with respect to company operations. Investors cannot view investing in a Cayman-registered company from the viewpoint of the legal rights applicable to investors investing a Taiwan company, applying these rights mechanically to investing in the Caymans. Investors should ensure they have a thorough understanding and consult with experts on whether investments in a Cayman Islands company would provide them with safeguards to shareholder equity.

#### 6.13.5. Information Security

To fully implement information security management, the company has established its "Computer Information management regulation" and "Recovery Plan of Information System" controlled and managed by IT department to ensure the operation and security of information system. For the management of network security, the group has established firewall, regulates on the use of devices and hardware, and strictly guards on the access of internet and mobile network, etc. The company also irregularly educates its employees of the importance on information security. There's

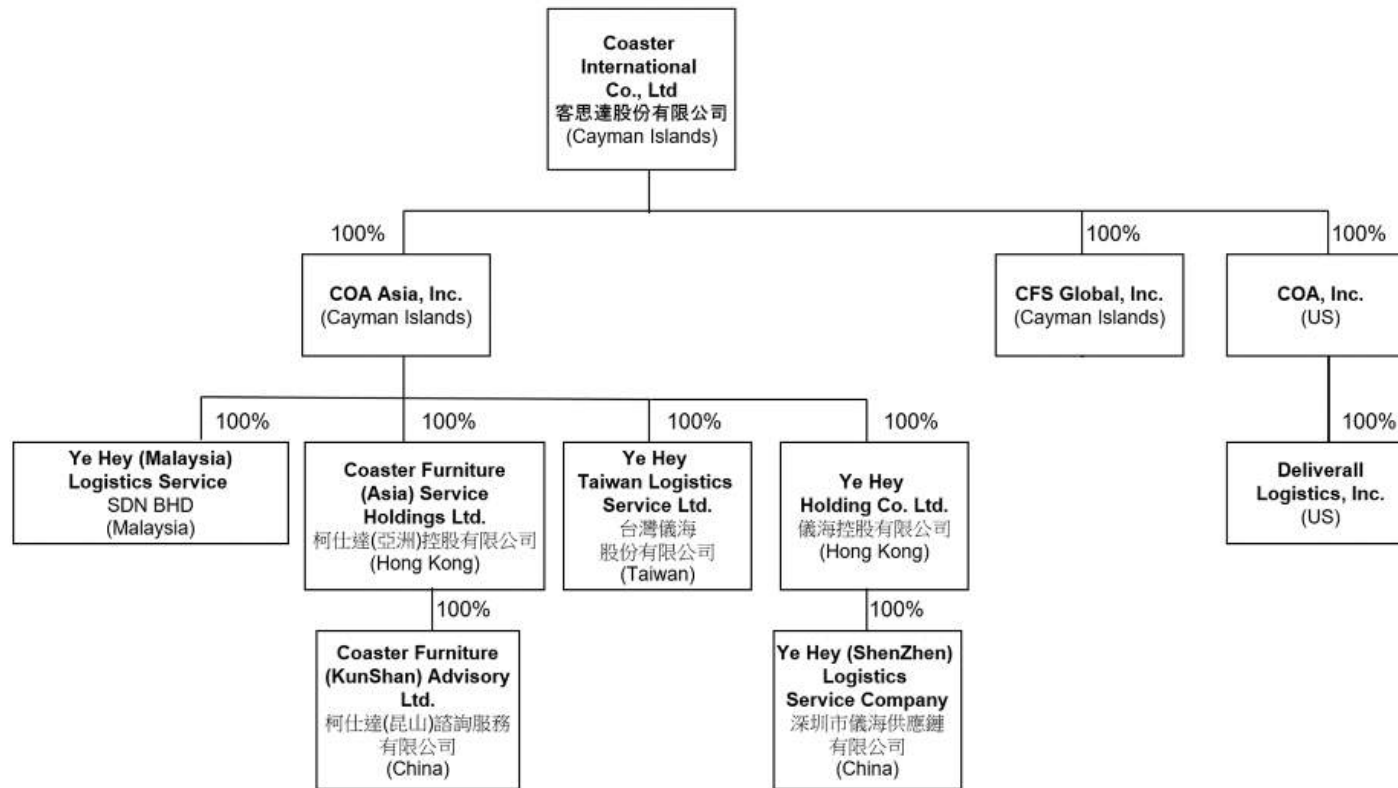
no material information security incident in 2019.

7. Other Major items : None.

## VIII. Special Notes

### 1. Affiliates Information

#### 1.1 Consolidated Business – Organizational chart



1.2 General information of Coaster and affiliates :

2018/12/31

Name of affiliates	Date of Establishment	Address	Paid-in Capital	Main Business
COA, Inc.	1981/2	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA	USD 31,330,000	Trading of furniture
COA Asia, Inc.	2012/6	190 Elgin Avenue George Town Grand Cayman KYI-9005 Cayman Islands	USD 10,000	Trading of furniture / purchasing service
CFS Global, Inc.	2008/4	190 Elgin Avenue, George Town, Grand Cayman KY 1-9005, Cayman Islands	USD 50,000	Investment holding
Deliverall Logistics, Inc.	2011/5	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA	USD 800,000	Transportation service
Ye Hey (Malaysia) Logistics Service SDN BHD	2013/6	No.8 Jalan Cu2,Taman Cheng Utama, 75250 Melaka, Malaysia	MYR 324,603	Purchasing service
Coaster Furniture (Asia) Service Holdings Ltd.	2008/2	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	USD 19,255.45	Investment holding
Ye Hey Taiwan Logistics Service Ltd.	2012/12	7F-1, No.360, Beitun Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	NTD 3,000,000	Trading of furniture / purchasing service
Ye Hey Holding Co. Ltd.	2012/8	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	USD 350,000	Investment holding
Coaster Furniture Service (KunShan) Advisory Company	2008/8	No. 77 ChaoYang Middle Road Kunshan City, Jiangsu Province, China	USD 600,000	Purchasing service
Ye Hey (ShenZhen) Logistics Service Company	2012/12	Block C 103, Coaster Industrial Plant, Lanzhu West Road 10 <sup>th</sup> , Shenzhen Export Processing Zone, Pingshan New Distric, Shenzhen China.	USD 350,000	Warehouse and logistic service



1.3 Companies presumed to have a relationship of control and subordination with Coaster under Article 369-3 of the R.O.C. Company Law: None.

1.4 Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

The business operated by Coaster and its subsidiaries and affiliates cover from indoor furniture product sourcing to distribution.

#### 1.5 Operation Results of Each Subsidiary and Affiliate

NT\$'000, unless stated otherwise; As of 2019/12/31

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating gain (loss)	Gain/loss of the current year (After tax)	EPS (NT\$)
COA, Inc.	942,720	5,673,398	3,613,842	2,059,556	11,501,334	(55,566)	(117,577)	(1.49)
COA Asia, Inc.	301	409,339	14,696	394,643	220,643	62,660	97,847	97,847.28
CFS Global, Inc.	1,505	2,130	0	2,130	0	(128)	(118)	(1.18)
Deliverall Logistics, Inc.	24,072	40,129	5,112	35,017	65,845	1,918	1,435	14,353.86
Ye Hey (Malaysia) Logistics Service SDN BHD	3,006	18,469	3,688	14,781	19,218	(973)	(1,225)	(3.78)
Coaster Furniture (Asia) Service Holdings Ltd.	579	21,362	3,890	17,472	8,161	(262)	10,127	67.51
Ye Hey Taiwan Logistics Service Ltd.	3,000	130,591	59,758	70,833	58,895	24,046	17,162	57.21
Ye Hey Holding Co. Ltd.	10,532	10,658	5,030	5,628	0	(75)	6,301	18.00
Coaster Furniture Service (KunShan) Advisory Company	18,054	20,521	2,336	18,185	17,942	801	794	Note 2

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating gain (loss)	Gain/loss of the current year (After tax)	EPS (NT\$)
Ye Hey (ShenZhen) Logistics Service Company	10,532	24,531	13,913	10,618	37,874	572	385	Note 2

Note 1: “Paid-in Capital”, “Total assets”, “Total liabilities” and “Net value” are translated into NTD using the exchange rate at the end of year 2019 ( USD 1 : TWD 30.09 ) ; “Operating Revenue”, “Operating gain (loss)”, “Gain/loss of the current year (After tax)” and “EPS(NT\$)” are translated at average exchange rate of year 2019 ( USD 1 : TWD 30.9124 ) .

Note 2: Limited company no shares information.

#### 1.6 Ownership Information of the company’s affiliates :

2019/12/31

Name of Companies	Title	Name / Name of the Representative	Shares	
			Amount of Shares (Capital Contribution)	Percentage(%)
COA, Inc.	Director	Lisa Kao	-	-
	Director	Michael P Yeh	-	-
	Director	Alexander Pan	-	-
			79,109,865 shares hold by Coaster International Co., Ltd	100
COA Asia, Inc.	Director	Lisa Kao	-	-
	Director	Michael P Yeh	-	-
	Director	Rong Zing Liu	-	-
			1,000 shares hold by Coaster International Co., Ltd	100
CFS Global, Inc.	Director	Lisa Kao	-	-
	Director	Michael P Yeh	-	-
			100 shares hold by Coaster International Co., Ltd	100
Deliverall Logistics, Inc.	Director	Lisa Kao	-	-
	Director	Michael P Yeh	-	-
			100 shares hold by COA, Inc.	100

Name of Companies	Title	Name / Name of the Representative	Shares	
			Amount of Shares (Capital Contribution)	Percentage(%)
Ye Hey (Malaysia) Logistics Service SDN BHD	Director Director Director	Woon Chio Inn Woon Boon Yam Lisa Kao	324,603 shares hold by COA Asia, Inc.	100
Coaster Furniture (Asia) Service Holdings Ltd.	Director	Michael P Yeh	- 150,000 shares hold by COA Asia, Inc.	- 100
Ye Hey Taiwan Logistics Service Ltd.	Chairperson Director Director Supervisor	Michael P Yeh 高子平 KaoZiPing 高孫美齡 KaoSunMeiLing Lisa Kao	- - - - 300,000 shares hold by COA Asia, Inc.	- - - - 100
Ye Hey Holding Co. Ltd.	Director Director	Michael P Yeh Lisa Kao	- - 350,000 shares hold by COA Asia, Inc.	- - 100
Coaster Furniture Service (KunShan) Advisory Company	Executive Director Supervisor	Michael P Yeh Lisa Kao	- - Owned by Coaster Furniture (Asia) Service Holdings Ltd.	- - 100
Ye Hey (ShenZhen) Logistics Service Company	Executive Director Supervisor President	Lisa Kao Michael P Yeh Lisa Kao	- - - Owned by Ye Hey Holding Co. Ltd.	- - - 100

1.7 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company : Please refer to page 121 on this Annual Report.

1.8 Affiliation Report: Please refer to page121 on this Annual Report.

2. Private Placement Securities in the Latest Year: None

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published: None.

#### 4. Other Supplementary Information Required

##### 4.1 Description of major differences between the Company's AOA and Taiwan's regulations on protection of shareholders' rights and interests

###### 與我國股東權益保障規定重大差異之說明

###### Description of major differences between the Company's AOA and Taiwan's regulations on protection of shareholders' rights and interests

因英屬開曼群島法令與中華民國法令略有不一致之處，因此台灣證券交易所股份有限公司修訂之「外國發行人註冊地股東權益保護事項檢查表」(下稱「**股東權益保護事項表**」)並非能當然適用於本公司，以下列表說明本公司現行有效之公司章程(下稱「**公司章程**」)因英屬開曼群島法令之規定而與股東權益保護事項表差異處，及公司章程之規定。

As the law of the Cayman Islands and the law of the Republic of China (Taiwan) slightly vary from each other, the Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer ("**Shareholders' Rights/Interests Protection Checklist**"), as amended by Taiwan Stock Exchange Corporation, does not always apply to the Company. The table below provides information about the differences between the Company's current Memorandum and Articles of Association ("**AOA**") and the Shareholders' Rights/Interests Protection Checklist due to the law of the Cayman Islands, and the provisions of the AOA.

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
公司收買自己之股份轉讓予員工者，得限制員工在一定期間內不得轉讓。但其期間最長不得超過二年。 In case of shares of a company purchased by the company to be transferred to its employees, the company may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	庫藏股得由公司董事決定其相關之條款與條件；另開曼公司法並無針對員工獎勵方案的相關規定。 The directors of the company have the discretion to determine terms and conditions on treasury shares; also the Cayman Islands Companies Law ("Companies Law") does not include any requirements on employee incentive plans.	依據公司章程第1規定，庫藏股 (Treasury Shares)係指依據本章程、開曼公司法與上市法令發行但經公司買回、贖回或以其他方式取得且未註銷之股份；故將本項內容規定於公司章程 <b>第40D條</b> ；惟根據開曼律師表示，該等限制轉讓之規定係屬於公司與員工間之契約關係(the restrictions agreed between the company and the employee is a contractual matter between themselves.)。 As defined in Article 1 of the AOA, treasury shares are shares issued by the Company pursuant to the AOA, the Companies Law, and listing regulations that are purchased, redeemed or otherwise acquired by the Company and are not cancelled. The restrictions are therefore stated in <b>Article 40D</b> of the AOA. According to the Cayman lawyer, however, the restrictions agreed between the Company and the employee is a contractual matter between themselves.

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>6. 下列事項，應在股東會召集事由中列舉並說明其主要內容，不得以臨時動議提出；其主要內容得置於證券櫃檯買賣中心或證交所或公司指定之網站，並應將其網址載明於召集通知內：</p> <p>The following matters shall be enumerated and explained in the notice to convene the shareholders meeting, with key information being provided, and should not be proposed by way of an extemporaneous motion at the meeting; material contents of such matters may be uploaded onto the website designated by the TWSE, TPEX or the Company with the address of website indicated in the notice:</p> <p>(1) 選任或解任董事、監察人； Election or discharge of director(s) and supervisor(s);</p> <p>(2) 變更章程； Amendment to the memorandum and articles of association;</p> <p>(3) 減資； Reduction in share capital;</p> <p>(4) 申請停止公開發行； Application for de-registration as a public company;</p> <p>(5) 公司解散、合併、股份轉換、分割； Dissolution, merger, share transfer and split-up of the company;</p> <p>(6) 締結、變更或終止關於出</p>	<p>本公司章程第50條於年報日前尚未及配合臺灣證券交易所股份有限公司於2018年11月30日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列新增「其主要內容得置於證券櫃檯買賣中心或證交所或公司指定之網站，並應將其網址載明於召集通知內」、「減資」及「申請停止公開發行」之規定修正完成。</p> <p>Article 50 of the AOA is unable to be amended prior to the date of annual report in a timely manner pursuant to the provisions of "material contents of such matters may be uploaded onto the website designated by the TWSE, TPEX or the Company with the address of website indicated in the notice", "Reduction in share capital" and "Application for de-registration as a public company" as newly added in the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on November 30, 2018.</p> <p>開曼公司法對臨時動議無特別規定。根據開曼律師表示，關於臨時動議部分，股東會議通知並須明確載明會議討論內容並提供相關資訊以利股東了解；然而在股東會會議通知中通常加入「任何其他議案」項目，該等項目通常具備非正式或不重大的本質，主席不得將重要事件放入本項目；如果有任何重要事項，應依據程序另召集會議討論決議；惟如情況</p>	<p>開曼公司法對臨時動議無特別規定；故將第5項內容規定於公司章程第50條。</p> <p>As the Companies Law does not have specific regulations on extemporaneous motion, the requirement under Item 5 is provided in <b>Article 50</b> of the AOA. 根據開曼律師表示，關於臨時動議部分，股東會議通知並須明確載明會議討論內容並提供相關資訊以利股東了解；然而在股東會會議通知中通常加入「任何其他議案」項目，該等項目通常具備非正式或不重大的本質，主席不得將重要事件放入本項目；如果有任何重要事項，應依據程序另召集會議討論決議；惟如情況緊急必須在股東會會議中討論之事項，必須在下次會議中將具體內容提出並進行追認。</p> <p>According to the Cayman lawyer, with regard to extemporaneous motion, a notice of shareholders' meeting should specify issues to be discussed at the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporaneous motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting.</p>

<b>差異項目</b> <b>Differences</b>	<b>開曼法令及說明</b> <b>Cayman law and description</b>	<b>章程規定及說明</b> <b>AOA regulations and description</b>
<p>租全部營業，委託經營或與或他人經常共同經營之契約；</p> <p>Signing of, amendment to or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party;</p> <p>(7) 讓與全部或主要部分之營業或財產；</p> <p>Assignment of all or major business or assets;</p> <p>(8) 受讓他人全部營業或財產，對公司營運有重大影響者；</p> <p>Assumption of all business or assets of a third party that may have a significant impact on the operation of the company;</p> <p>(9) 私募發行具股權性質之有價證券；</p> <p>Issue of securities of a nature similar to shares in private placement;</p> <p>(10) 董事從事競業禁止行為之許可；</p> <p>Approval of performance of activities by director in violation of non-compete restrictions;</p> <p>(11) 以發行新股方式，分派股息及紅利之全部或一部分；</p> <p>Allocation of all or part of share dividends and bonuses</p>	<p>緊急必須在股東會會議中討論之事項，必須再下次會議中將具體內容提出並進行追認。儘管，開曼法律並無明示禁止臨時動議，惟開曼律師建議不宜在股東會上有臨時動議。</p> <p>The Companies Law does not have specific regulations on extemporary motion. According to the Cayman lawyer, with regard to extemporary motion, a notice of shareholders' meeting should specify issues to be discussed at the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting. Despite of the fact the Cayman law does not include an explicit prohibition on extemporary motion, the Cayman lawyer advised against any extemporary motion at a shareholders' meeting.</p>	

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>through issue of new shares; (12) 將法定盈餘公積及因發行股票溢價或受領贈與所得之資本公積，以發行新股或現金方式，分配與原股東者。</p> <p>Allocation of legal reserve and additional paid-in capital from the income derived from the issuance of new shares at a premium or from endowments received by the company by issuing new shares or by paying cash to original shareholders through issue of shares.</p>		
<p>3. 公司以書面或電子方式行使表決權時，其行使方法應載明於股東會召集通知。以書面或電子方式行使表決權之股東，視為親自出席股東會。但就該次股東會之臨時動議及原議案之修正，視為棄權。When voting rights are to be exercised in writing or by way of electronic transmission, the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed present at the shareholders' meeting in person, but will be deemed to have waived his or her rights to cast votes on issues proposed by way of an</p>	<p>開曼公司法對第3項內容並無特別規定。 The Companies Law does not have any specific regulations on the requirement under Item 3.</p>	<p>開曼公司法對第3項前段內容並無特別規定，故將第3項前段規定於公司章程<b>第68條</b>；另根據開曼律師意見，股東以書面方式投票視為委託股東會主席投票，故參酌開曼律師意見將第3項後段規定於公司章程<b>第68條</b>規定(即以書面或電子方式行使表決權之股東，視為委託股東會主席依據該書面或電子文件之指示代表其於股東會行使其表決權，但就該次股東會之臨時動議及原議案之修正，視為棄權，惟前述之委託應視為不構成上市法令之委託代理人規定)。</p> <p>As the Companies Law does not have any specific regulations on the first part of requirement under Item 3, the first part of the requirement under Item 3 is provided in <b>Article 68</b> of the AOA. Also, according to the Cayman lawyer, a shareholder casting votes in writing is deemed to have appointed the chairperson of the meeting to cast votes on his or her</p>



差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>extemporary motion and amendment to an existing proposal.</p>		<p>behalf. Thus, with reference to the Cayman lawyer's opinion, the second part of the requirement under Item 3 is provided in <b>Article 68</b> of the AOA (i.e. a shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed to have authorized the chairperson of the meeting to exercise his or her rights at the shareholders' meeting as instructed in the written or electronic instructions, but the shareholder will be deemed to have waived his or her rights to cast votes on issues proposed by way of an extemporary motion and amendment to an existing proposal at the shareholders' meeting, provided that the above authorization shall not work as appointment of agent under the listing regulations).</p>
<p>5. 股東以書面或電子方式行使表決權後，欲親自出席股東會者，應於股東會開會二日前，以與行使表決權相同之方式撤銷前項行使表決權之意思表示；逾期撤銷者，以書面或電子方式行使之表決權為準。If a shareholder decides to attend the shareholders' meeting in person after he or she has exercised his or her voting rights in writing or by way of electronic transmission, he or she should revoke the declaration of intent to exercise of voting rights in the same manner as how he or she has exercised voting rights two days before the shareholders' meeting, or he or she shall still be deemed to have exercised his or her voting rights by writing or by way of electronic transmission.</p>	<p>開曼公司法對第5項內容並無特別規定。 The Companies Law does not have any specific regulations on the requirement under Item 5.</p>	<p>開曼公司法對第5項內容並無特別規定；故將第5項規定於公司章程<b>第70條</b>。根據開曼律師表示，在英美普通法(Common Law)下，委託人親自出席即為委託書之撤銷(under common law, a person may revoke its proxy by attending the meeting in person)，由於以書面或電子方式行使表決權之股東，視為委託股東會主席依據該書面或電子文件之指示代表其於股東會行使其表決權，故第5項內容可能無執行力(not enforceable)。 As the Companies Law does not have any specific regulations on the requirement under Item 5, the requirement under Item 5 is provided in <b>Article 70</b> of the AOA. According to the Cayman lawyer, under common law, a person may revoke its proxy by attending the meeting in person. In view that a shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed to have authorized the chairperson of the shareholders' meeting to exercise voting rights on his or her behalf according to his or her written or electronic instructions, the</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>4. 委託書送達公司後，股東欲親自出席股東會或欲以書面或電子方式行使表決權者，應於股東會開會二日前，以書面向公司為撤銷委託之通知；逾期撤銷者，以委託代理人出席行使之表決權為準。</p> <p>If a shareholder decides to attend the shareholders' meeting in person or exercise his or her voting rights in writing or by way of electronic transmission after his or her proxy has been delivered to the company, he or she should issue a written notice to the company to revoke the authorization two days before the shareholders' meeting, or he or she shall still be deemed to have authorized his or her proxy to vote at the meeting.</p>	<p>開曼公司法對委託書或委託書之募集無特別規定。</p> <p>The Companies Law does not have any specific regulations on proxy or solicitation of proxies.</p>	<p>requirements under Item 5 may not be enforceable.</p> <p>開曼公司法對委託書或委託書之募集無特別規定；故將第4項內容規定於公司章程<b>第62B條</b>。根據開曼律師表示，在英美普通法(Common Law)下，委託人親自出席即為委託書之撤銷(under common law, a person may revoke its proxy by attending the meeting in person)，故第4項內容可能無執行力(not enforceable)。</p> <p>As the Companies Law does not have any specific regulations on proxy or solicitation of proxies, the requirement under Item 4 is provided in <b>Article 62B</b> of the AOA. According to the Cayman lawyer, under common law, a person may revoke its proxy by attending the meeting in person. Therefore, the requirements under Item 4 may not be enforceable.</p>
<p>下列涉及股東重大權益之議案，應有代表已發行股份總數三分之二以上股東之出席，以出席股東表決權過半數同意為之。出席股東之股份總數不足前述定額者，得以有代表已發行股份總數過半數股東之出席，出席股東表決權三分之二以上之同意行之：</p> <p>For any of the following proposals materially involving shareholders' rights and interests, a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its</p>	<p>關於1.、4.、5.(分割部分)及6.，開曼公司法無特別要求或禁止之規定。</p> <p>With respect to Items 1, 4, 5 (Split-up) and 6, the Companies Law does not provide any special requirement or prohibition. 關於2.及3.，開曼公司法第24條規定，章程之任何變更須經特別決議通過。</p> <p>With respect to Items 2 and 3, §24 of the Companies Law provides that any and all changes or amendments to the memorandum and articles of association shall be approved by</p>	<p>本公司章程第32(h)條預計於本公司2020年股東常會依據臺灣證券交易所股份有限公司於2019年12月25日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列第6款規定修正完成。</p> <p>Article 32(h) of the AOA is expected to be amended by the annual shareholders' meeting of 2020 in accordance with the provision set forth in the sixth paragraph of the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on December 25, 2019.</p> <p>(一) 開曼公司法對於第1款、第4款、第5款分割部分及第6款並無特別要求或禁止之規</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>outstanding shares is required. In case where shares represented by the shareholders attending the shareholders' meeting are less than the preceding minimum requirement, as an alternative, the proposal may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <p>1. 公司締結、變更或終止關於出租全部營業，委託經營或與他人經常共同經營之契約、讓與全部或主要部分之營業或財產、受讓他人全部營業或財產而對公司營運有重大影響者</p> <p>The company's signing of, amendment to, or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party, assignment of all or major business or assets, assumption of all business or assets of a third party that may have a significant impact on the operation of the company;</p> <p>2. 變更章程</p> <p>Amendment to the memorandum and articles of</p>	<p>special resolution.</p> <p>關於 5 (解散部份)，開曼公司法第 116 條規定，公司應以特別決議 (Special Resolution) 而自願解散，另如係無法清償債務而自願解散則應以股東會決議通過 (the company in general meeting resolves...)，開曼律師認為前述股東會決議得以普通決議 (Ordinary Resolution)、特別決議 (Special Resolution) 或經公司章程規定之較高的決議方式為之，故在公司章程沒有規定下，普通決議 (Ordinary Resolution) 通過即可。</p> <p>With respect to Item 5 (Dissolution), §116 of the Companies Law provides that a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due to insolvency, a resolution at shareholders' meeting is required. According to the Cayman lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution requiring more approval votes provided in the memorandum and articles of association. Given that the AOA does not provide requirements on this matter, an ordinary resolution will suffice.</p>	<p>定；故將第 1 款、第 4 款、第 5 款分割部分及第 6 款，分別規定於公司章程 <b><u>第 32(a)(b)(c)(d)(g)(h) 條</u></b>，必須經過股東會特別重度決議通過 (即「A 型特別決議」 (Supermajority Resolution Type A) 或「B 型特別決議」 (Supermajority Resolution Type B) (定義見上)。</p> <p>As the Companies Law does not contain any specific requirement or prohibition on the provision on split-up in Items 1, 4, 5 and 6, the requirements on split-up under Items 1, 4, 5 and 6 are separately provided in <b><u>Article 32(a)(b)(c)(d)(g)(h)</u></b> of the AOA, stating split-up is subject to resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B (as defined above).</p> <p>(二) 根據開曼公司法第 24 條規定，公司章程之任何變更必須經過股東會特別決議 (Special Resolution)；故將第 2 款規定於公司章程 <b><u>第 157 條</u></b>，即公司得隨時以特別決議 (Special Resolution) 變更備忘錄及/或章程。股東會出席成數則依公司章程第 51 條規定 (即代表已發行股份總數過半數之有表決權股東親自或委託代理人出席)。</p> <p>As provided in §24 of the Companies Law, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under Item 2 is provided in <b><u>Article 157</u></b> of the AOA, which states the Company may amend its</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>association;</p> <p>3. 章程之變更如有損害特別股股東之權利者，另需經特別股股東會之決議 If an amendment to the memorandum and articles of association will jeopardize the rights and interest of preferred shareholders, the amendment is subject to approval of a preferred shareholders' meeting;</p> <p>4. 以發行新股方式分派股息及紅利之全部或一部 Allocation of all or part of share dividends and bonuses through issue of new shares;</p> <p>5. 解散、合併或分割之決議 Resolution on dissolution, merger or split-up; and</p> <p>6. 股份轉換。 share swap.</p>	<p>此外，關於5 (合併部分)，依據開曼律師表示，開曼公司法第233(6)條規定須經特別決議(Special Resolution)通過，如公司章程有其他決議規定，則依據公司章程規定辦理。</p> <p>In addition, with respect to Item 5 (Merger), according to the Cayman lawyer, §233(6) of the Companies Law provides that a special resolution is required, unless otherwise provided in the memorandum and articles of association.</p>	<p>memorandum and/or AOA at any time by special resolution. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>(三) 根據開曼公司法第 24 條規定，公司章程之任何變更必須經過股東會特別決議(Special Resolution)；故將第 3 款規定於公司章程第 18 條，即公司章程之變更如有損害特別股股東之權利之事項，除需經普通股股東會以特別決議(Special Resolution)外，尚需經特別股股東會以特別決議(Special Resolution)通過。股東會出席成數則依公司章程第 51 條規定(即代表已發行股份總數過半數之有表決權股東親自或委託代理人出席)。</p> <p>According to §24 of the Companies Law, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under Item 3 is provided in Article 18 of the AOA, which states that if an amendment to the AOA will jeopardize the rights and interest of preferred shareholders, the amendment must be approved both with special resolution at a ordinary shareholders' meeting and special resolution at a preferred shareholders' meeting. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
		<p>representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>(四) 有關第 5 款解散部分，依據開曼公司法第 116 條規定，公司應以特別決議 (Special Resolution) 而自願解散，另如屬於無法清償債務時，則應以股東會決議通過 (the company in general meeting resolves...)，開曼律師認為前述股東會決議得以普通決議 (Ordinary Resolution)、特別決議 (Special Resolution) 或以公司章程規定之較高的決議方式為之；故將第 5 款解散部分規定於公司章程<b>第 33 條</b>，其中如公司因無法如期清償債務而自願解散，應經過股東會特別重度決議通過 (即「A 型特別決議」 (Supermajority Resolution Type A) 或「B 型特別決議」 (Supermajority Resolution Type B) (定義見上)) 為之 (<b>第 33(a) 條</b>)，如公司因其他原因而自願解散，則應經過特別決議 (Special Resolution) 方式為之 (<b>第 33(b) 條</b>)。股東會出席成數則依公司章程第 51 條規定 (即代表已發行股份總數過半數之有表決權股東親自或委託代理人出席)。</p> <p>With respect the provision on dissolution under Item 5, according to §116 of the Companies Law, a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due to insolvency, a resolution at shareholders' meeting is required. According to the Cayman lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
		<p>requiring more approval votes provided in the memorandum and articles of association. So the requirement on dissolution under Item 5 is provided in <b>Article 33</b> of the AOA, which states if the Company is subject to voluntary dissolution due to inability to repay debts that are due, the dissolution shall be approved by resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B, as defined above (<b>Article 33(a)</b>). If the Company is subject to voluntary dissolution for other reason, the dissolution shall be approved by special resolution (<b>Article 33(b)</b>). The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>(五) 有關第 5 款合併部分，開曼律師表示，關於合併部分，依據開曼公司法第 233 條(6)規定，須經特別決議(Special Resolution)通過，如公司章程有其他決議規定，則依據公司章程規定辦理；故將第 5 款合併部分規定於公司章程<b>第 31(c)條</b>。股東會出席成數則依公司章程第 51 條規定(即代表已發行股份總數過半數之有表決權股東親自或委託代理人出席)。</p> <p>With respect the provision on merger under Item 5, according to the Cayman lawyer, as provided under §233(6) of the Companies Law, merger shall be subject to approval by special</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
		resolution or handled in accordance with the memorandum and articles of association where the requirement on resolution is otherwise provided in the memorandum and articles of association. So the requirement on merger under Item 5 is provided in <b>Article 31(C)</b> of the AOA. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.
監察人相關規定。 Regulations on supervisors.	開曼公司法對監察人無特別規定。 The Companies Law does not have any specific regulations on supervisors.	因本公司未設置監察人，故未修正章程。 The AOA is not amended for this purpose as the Company does not have any supervisor.
<p>1. 繼續六個月以上持有公司已發行股份總數百分之一以上之股東，得以書面請求監察人為公司對董事提起訴訟，並得以臺灣臺北地方法院為第一審管轄法院。 A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer may request in writing the supervisor to institute an action against the director on behalf of the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p> <p>2. 股東提出請求後三十日內，監察人不提起訴訟時，股東得為公司提起訴訟，並得以臺灣臺北地方法院為第一審管轄法院。 In the absence of action initiated by supervisor after 30 days of a shareholder's</p>	<p>開曼公司章程無特別要求或禁止之規定。 The Cayman law does not provide any specific requirement or prohibition.</p> <p>依據開曼法律規定，股東代表公司提起訴訟之情形為：(A) 該行為係違法或逾越公司權限範圍之行為，因而無法由股東追認；或(B) 該行為構成對少數股東之詐欺(即以該訴訟尋求救濟之對象為大股東，而該等大股東不會允許公司放任該訴訟尋求救濟之原告，如以本款為由提起訴訟，需先證明有詐欺之情形及從事不法行為者對公司有控制權)。</p> <p>According to the Cayman law, a shareholder may file an action on behalf of the company against: (A) an action that is illegal or not within the powers or authority</p>	<p>開曼公司章程無特別要求或禁止之規定，而公司並未設置監察人，而係設置審計委員會；參考證交所民國101年7月27日臺證上字第1011702189號函關於應以審計委員會之獨立董事成員取代監察人，故將第1項及第2項內容關於監察人部分由審計委員會之獨立董事成員取代，規定於公司章程<b>第123條</b>，即得以具備管轄權之法院(包括臺灣臺北地方法院，如適用)為管轄法院；另開曼律師表示，公司章程第123條必須符合開曼法律規定，依據開曼法律，如果該董事認為提出訴訟並非對公司有利益，董事並無負有經持股佔1%以上股東請求對其他董事提起訴訟之義務。</p> <p>The Cayman law does not provide any specific requirement or prohibition, and the Company does not have a supervisor and instead has established the audit committee. With reference to TWSE Tai-Zheng-Shang-Zi No. 1011702189 Letter of July 27, 2012,</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
<p>request, the shareholder may initiate an action for the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p>	<p>of the company, and therefore cannot be ratified by shareholders; or (B) an action constituting fraud against minority shareholders (i.e. the purpose of the action is to seek relief against majority shareholders who will not allow the company to do nothing against the plaintiff to the action seeking relief, provided that the shareholder must prove the occurrence of fraud and that the person engaging in unlawful activities has controlling power over the company before an action may be initiated.)</p> <p>凡在公司權限範圍內之行為，或雖逾越權限範圍但可由股東追認，且符合多數股東之意志，開曼法院多傾向於不干涉公司之內部行為。儘管本條已訂入公司章程，但其在開曼之可執行力存疑，因開曼法院不太可能在未經重新檢視所涉爭端之理由前認可外國非金錢判決之執行力。</p> <p>To the extent that an action is performed within the powers of the company, or an action performed is not within the powers of the company but can be ratified by shareholders, generally the Cayman court will not interfere with the company's internal acts. We have doubt on the enforceability in Cayman Islands of this provision if it is incorporated into the AOA of the Company because the courts of Cayman Islands are unlikely to recognize and enforce foreign judgment which is not the monetary judgment without any re-examination of merits</p>	<p>providing that supervisors shall be replaced by independent directors of the audit committee, the requirement on replacement of supervisors by audit committee under Items 1 and 2 is provided in Article 123 of the AOA, and the governing court (including the Taiwan Taipei District Court, if applicable) shall have jurisdiction over the matter. Also according to the Cayman lawyer, Article 123 of the AOA must be in consistence with the Cayman law, which states that if the director believes filing of an action is not beneficial to the company, the director shall not be liable to initiate an action against other directors of the company despite of the request of a shareholder holding more than 1% of the shares.</p>



差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
	of the underlying dispute.	
<p>1. 公司之董事應忠實執行業務並盡善良管理人之注意義務，如有違反致公司受有損害者，負損害賠償責任。該行為若係為自己或他人所為時，股東會得以決議，將該行為之所得視為公司之所得。</p> <p>Directors of the company shall have the loyalty and shall exercise the duty of care as good administrators in conducting the business operation of the company. Director shall be liable for damages to the company in the event of a violation of the above. If the act was performed for themselves or others, the shareholders may resolve at a general meeting to treat the gains from the act as the gains of the company.</p> <p>2. 公司之董事對於公司業務之執行，如有違反法令致他人受有損害時，對他人應與公司負連帶賠償之責。</p> <p>If directors have, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the directors and the company shall be jointly and severally liable for the damages to the injured.</p> <p>3. 公司之經理人、監察人在執行職務範圍內，應負與公司董事相同之損害賠償責任。Within the scope of performance of their duties and functions, managers and supervisors of the company shall have the same liability</p>	<p>依據開曼公司法，董事對公司具有忠實義務(fiduciary duties)，如有違反該等義務致公司損害時，法院得判決董事負損害賠償責任；如因屬於為自己或他人而違反忠實義務且有利益，法院得判決返還該等利益。</p> <p>According to the Cayman law, directors have fiduciary duties to the company. In the event of damage to the company due to violation of the duties, the court of law may order the directors to be liable for damage compensation. If directors violated their fiduciary duties for themselves or others and have gained profits as a result, the court may order return of the profits derived therefrom.</p> <p>依據開曼法律，董事為公司執行業務而對第三人造成損害，該第三人得對公司請求損害賠償，公司另向該董事請求因第三人之請求所造成公司的損失；儘管公司章程規定董事與公司負有連帶賠償責任(joint and several liability)，從開曼法律觀點，該第三人仍無法直接對董事主張。</p> <p>According to the Cayman law, if a director causes damage to a third party during performance of company business, the third party may claim damages against the company, and the company may further claim compensation by the director for losses arising from the third-person claim. Despite of the fact that the AOA</p>	<p>參酌開曼律師意見(詳見左欄)，故將第1.項、第2.項及第3.項內容規定於公司章程<b>第97B條</b>；惟開曼律師表示，儘管公司章程規定董事與公司負有連帶賠償責任(joint and several liability)，從開曼法律觀點，該第三人仍無法直接對董事主張。By referring to the Cayman lawyer (see the left column for details), we have included the requirements under Items 1, 2, and 3 in <b>Article 97B</b> of the AOA. According to the Cayman lawyer, however, despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman law, a third party cannot directly claim against the director.</p>

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
as the directors of the company.	provides directors and the Company have joint and several liability, from the perspective of the Cayman law, the third party cannot directly claim against the director.	

#### **IX. Matters with Significant Influence on Shareholders' Rights and Interests or Securities Prices**

Matters of critical influence on shareholders' rights and interests as described in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities and Exchange Act in the most recent year and prior to the date of the annual report: None.

**Appendix. The Latest Consolidated Financial Statement Audited and Certified by CPAs**

**COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**  
**(Stock code: 2936)**

**Address: 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands**  
**Telephone: 886-4-2249-0777**

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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.

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Penny Pan

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Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2020

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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)

		New Taiwan Dollars	
ASSETS	Notes	December 31, 2019	December 31, 2018
<b>Current assets</b>			
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
<b>Total current assets</b>		3,858,966	4,437,329
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		2,264,416	482,548
<b>TOTAL ASSETS</b>		\$ 6,123,382	\$ 4,919,877

(Continued)

**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	December 31, 2017
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<u>2,174,463</u>	<u>2,027,724</u>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<u>1,373,331</u>	<u>129,429</u>
<b>Total liabilities</b>		<u>3,547,794</u>	<u>2,157,153</u>
<b>Equity</b>			
<b>Ordinary shares</b>	6(12)	765,557	765,557
<b>Capital surplus</b>		1,791,308	1,789,584
<b>Retained earnings</b>	6(13)		
Legal reserve		55,493	55,493
Unappropriated retained earnings		109,520	260,690
<b>Other equity interest</b>		( 133,442)	( 95,752)
<b>Treasury shares</b>	6(12)	( 12,848)	( 12,848)
<b>Total equity</b>		<u>2,575,588</u>	<u>2,762,724</u>
<b>Significant events after the balance sheet date</b>	11		
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 6,123,382</u>	<u>\$ 4,919,877</u>

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
<b>Operating revenue</b>	6(14)	\$ 11,737,383	\$ 12,013,456
<b>Operating cost</b>	6(4)(10)(18)(19)	( 8,374,047)	( 8,694,921)
<b>Gross profit</b>		<u>3,363,336</u>	<u>3,318,535</u>
<b>Operating expenses</b>	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)
<b>Total operating expenses</b>		( 3,360,756)	( 3,321,003)
<b>Gain (loss) from operations</b>		<u>2,580</u>	<u>( 2,468)</u>
<b>Non-operating income and expenses</b>			
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)
<b>Total non-operating income and expenses</b>		( 122,188)	( 47,171)
<b>Loss before income tax</b>		( 119,608)	( 49,639)
Income tax benefit	6(20)	<u>47,382</u>	<u>27,689</u>
<b>Loss for the year</b>		<u>(\$ 72,226)</u>	<u>(\$ 21,950)</u>
<b>Other comprehensive income (loss)</b>			
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>			
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)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>			
Exchange differences on translation of foreign financial statements		( 37,690)	78,789
<b>Other comprehensive income (loss), net for tax</b>		<u>(\$ 38,452)</u>	<u>\$ 80,253</u>
<b>Total comprehensive income (loss)</b>		<u>(\$ 110,678)</u>	<u>\$ 58,303</u>
<b>Loss attributable to:</b>			
Owners of parent		<u>(\$ 72,226)</u>	<u>(\$ 21,950)</u>
<b>Comprehensive income (loss) attributable to:</b>			
Owners of the parent		<u>(\$ 110,678)</u>	<u>\$ 58,303</u>
<b>Basic loss per share</b>	6(21)	<u>(\$ 0.95)</u>	<u>(\$ 0.29)</u>
<b>Diluted loss per share</b>	6(21)	<u>(\$ 0.95)</u>	<u>(\$ 0.29)</u>

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)

	Notes	Ordinary shares	Equity attributable to owners of the parent				Exchange differences on translation of foreign financial statements	Treasury stock	Total equity
			Capital Surplus	Retained Earnings					
			Issued at a premium	Employee share options	Legal reserve	Unappropriated retained earnings			
<u>2018</u>									
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
<u>2019</u>									
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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 )
<b>Net cash flows provided by operating activities</b>		<b>515,623</b>	<b>657,835</b>

(Continued)

**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
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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		<u>501</u>	<u>( 1,437 )</u>
Net cash used in investing activities		<u>( 54,090 )</u>	<u>( 33,857 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
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)	<u>-</u>	<u>( 12,848 )</u>
Net cash used in financing activities		<u>( 475,717 )</u>	<u>( 581,948 )</u>
Effect of exchange rate changes on cash and cash equivalents		<u>( 30,899 )</u>	<u>103,835</u>
Net (decrease) increase in cash and cash equivalents		( 45,083 )	145,865
Cash and cash equivalents at beginning of year		<u>423,913</u>	<u>278,048</u>
Cash and cash equivalents at end of year		<u>\$ 378,830</u>	<u>\$ 423,913</u>
<b>Components of cash and cash equivalents:</b>			
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)	<u>( 68,383 )</u>	<u>( 38,642 )</u>
Cash and cash equivalents at end of year		<u>\$ 378,830</u>	<u>\$ 423,913</u>

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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	<u>\$ 2,537,969</u>
Incremental borrowing interest rate at the date of initial application	2.2%~4.25%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 2,304,913</u>



(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			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
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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2019	December 31, 2018
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) Share capital

- 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) Revenue recognition

- 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

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

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

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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	<u>22,727</u>	<u>16,366</u>
	<u>\$ 688,989</u>	<u>\$ 623,857</u>

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

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

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	-	-
	<u>\$ 135,895</u>	<u>\$ 135,895</u>	<u>\$ -</u>	<u>\$ -</u>

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	-	-
	<u>\$ 223,674</u>	<u>\$ 223,674</u>	<u>\$ -</u>	<u>\$ -</u>

- 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
	<u>\$ 2,609,755</u>	<u>(\$ 126,727)</u>	<u>\$ 2,483,028</u>
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
	<u>\$ 3,108,314</u>	<u>(\$ 104,820)</u>	<u>\$ 3,003,494</u>

- 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
	<u>\$ 8,374,047</u>	<u>\$ 8,694,921</u>

- 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

	<u>Buildings</u>	<u>Storage supply</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2019</u>							
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)
	<u>\$ 10,888</u>	<u>\$ 31,901</u>	<u>\$ 11,425</u>	<u>\$ 16,675</u>	<u>\$ 25,705</u>	<u>\$ 2,500</u>	<u>\$ 98,284</u>
<u>2019</u>							
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	<u>\$ 10,309</u>	<u>\$ 46,941</u>	<u>\$ 8,046</u>	<u>\$ 11,675</u>	<u>\$ 20,780</u>	<u>\$ 6,754</u>	<u>\$ 104,505</u>
<u>December 31, 2019</u>							
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)
	<u>\$ 10,309</u>	<u>\$ 46,941</u>	<u>\$ 8,046</u>	<u>\$ 11,675</u>	<u>\$ 20,780</u>	<u>\$ 6,754</u>	<u>\$ 104,505</u>
	<u>Buildings</u>	<u>Storage supply</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2018</u>							
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)
	<u>\$ 11,408</u>	<u>\$ 30,944</u>	<u>\$ 10,691</u>	<u>\$ 20,973</u>	<u>\$ 31,269</u>	<u>\$ 1,349</u>	<u>\$ 106,634</u>
<u>2018</u>							
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	<u>\$ 10,888</u>	<u>\$ 31,091</u>	<u>\$ 11,425</u>	<u>\$ 16,675</u>	<u>\$ 25,705</u>	<u>\$ 2,500</u>	<u>\$ 98,284</u>
<u>December 31, 2018</u>							
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)
	<u>\$ 10,888</u>	<u>\$ 31,091</u>	<u>\$ 11,425</u>	<u>\$ 16,675</u>	<u>\$ 25,705</u>	<u>\$ 2,500</u>	<u>\$ 98,284</u>

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:

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

- 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:

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
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

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
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
	<u>\$ 910,743</u>		

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
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
	<u>\$ 844,107</u>		

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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
	<u>\$ 289,596</u>	<u>\$ 328,546</u>



(9) Refund liabilities-current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
At January 1	\$ 71,739	\$ -
Adjustments under IFRS 15	<u>-</u>	<u>89,768</u>
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	( <u>1,223</u> )	<u>2,468</u>
At December 31	<u>\$ 75,895</u>	<u>\$ 71,739</u>

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 26,243	\$ 25,044
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 26,243</u>	<u>\$ 25,044</u>

(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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 726)	\$ 753	\$ 742	(\$ 719)
	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
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
	\$	<u>28,580</u>

#### 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:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (Note 2)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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:

		<u>2019</u>	
		<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding balance at January 1		3,292,000	\$ 36.0
(Equal Options outstanding at December 31)		3,292,000	36.0
Options exercisable at December 31			
		<u>2018</u>	
		<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
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:

Issue date approved	Expiry date	December 31, 2019		December 31, 2018	
		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:

Name of company holding the shares	Reason for reacquisition	December 31, 2019	
		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:
- Pay taxes as regulated;
  - Offset prior years' operating losses (if any);
  - Appropriate 10% of the retained earnings as legal reserve, unless the legal reserve equals to paid-in capital of the Company;
  - Appropriate special reserve as required by the competent authority; and
  - 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
	<u>\$ 25,820</u>	

- 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

	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
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:

<u>Year ended</u> <u>December 31,</u> <u>2019</u>	<u>US</u>	<u>All other segments</u>		
	<u>Furniture</u> <u>sales</u>	<u>Others</u>	<u>Furniture</u> <u>sales</u>	<u>Total</u>
Timing of revenue				
At a point in time	\$ 11,497,046	\$ 69,049	\$ 171,288	\$ 11,737,383
<u>Year ended</u> <u>December 31,</u> <u>2018</u>	<u>US</u>	<u>All other segments</u>		
	<u>Furniture</u> <u>sales</u>	<u>Others</u>	<u>Furniture</u> <u>sales</u>	<u>Total</u>
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

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

(16) Other gains and losses

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

(17) Finance costs

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

(18) Expenses by nature

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

(19) Employee benefit expense

	Years ended December 31,	
	2019	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	<u>69,312</u>	<u>70,596</u>
	<u>\$ 1,396,968</u>	<u>\$ 1,406,401</u>

- 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	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	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				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in equity</u>	<u>Translation differences</u>	<u>December 31</u>
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	<u>55,511</u>	<u>59,239</u>	<u>-</u>	<u>( 2,412)</u>	<u>112,338</u>
	<u>\$ 296,503</u>	<u>\$ 80,093</u>	<u>\$ 190</u>	<u>( \$ 6,680)</u>	<u>\$ 370,106</u>
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	( \$ 182)	( \$ 4,349)	\$ -	\$ 297	( \$ 4,234)

2018					
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in equity</u>	<u>Translation differences</u>	<u>December 31</u>
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
	<u>\$ 273,853</u>	<u>\$ 14,738</u>	<u>(\$ 366)</u>	<u>\$ 8,278</u>	<u>\$ 296,503</u>
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	\$ -	(\$ 351)	\$ -	\$ 169	(\$ 182)
Book-tax difference on property, plant and equipment	( <u>37</u> )	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(\$ 37)</u>	<u>(\$ 314)</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>(\$ 182)</u>

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

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

December 31, 2018				
<u>Year incurred</u>	<u>Amount filed / assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year</u>
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

<u>Year ended December 31, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>72,226</u> )	<u>76,056</u>	(\$ <u>0.95</u> )
<u>Year ended December 31, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>21,950</u> )	<u>76,225</u>	(\$ <u>0.29</u> )

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:

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

(23) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
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	( <u>13,468</u> )	( <u>20,711</u> )	( <u>34,179</u> )
At December 31, 2019	<u>\$ 842,360</u>	<u>\$ 1,875,885</u>	<u>\$ 2,718,245</u>

	<u>Short-term borrowings</u>
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	<u>32,829</u>
At December 31, 2018	<u>\$ 805,465</u>

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

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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
	<u>\$ 178,208</u>	<u>\$ 482,215</u>	<u>\$ 660,423</u>

## (ii) Interest expense

	Year ended December 31, 2019
MISA	\$ 24,281
Yeh Family	4,135
Others	725
	<u>\$ 29,141</u>

## (c) Rent expense

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

(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
	<u>\$ 135,371</u>	<u>\$ 138,276</u>

8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
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	
	<u>\$ 3,353,413</u>	<u>\$ 3,860,624</u>	

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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	<u>\$ 3,039,118</u>	<u>\$ 3,144,276</u>
Gearing ratio	<u>15%</u>	<u>12%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
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
	<u>\$ 1,297,986</u>	<u>\$ 1,332,927</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
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	<u>1,875,885</u>	<u>-</u>
	<u>\$ 3,309,780</u>	<u>\$ 1,838,115</u>

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		Book value (TWD)
	amount (In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
CAD : USD	\$ 277	0.7649	\$ 6,373

December 31, 2018			
	Foreign currency		Book value (TWD)
	amount (In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
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		Book value (TWD)
	amount (In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
CAD : USD		0.7649	(\$ 1,630)
Year ended December 31, 2018			
Exchange gain (loss)			
	Foreign currency		Book value (TWD)
	amount (In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Financial assets</u>			
<u>Monetary items</u>			
CAD : USD	1%	\$ 64	\$ -

Year ended December 31, 2018				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
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:

	<u>Not past due</u>	<u>Past due within 30 days</u>	<u>31 to 60 days past due</u>
<u>At December 31, 2019</u>			
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
	<u>61 to 90 days past due</u>	<u>Up to 90 days past due</u>	<u>Total</u>
<u>At December 31, 2019</u>			
rate	96.97%~98.87%	100%	
Total book value	\$ 4,629	\$ 6,380	\$ 141,594
Loss allowance	2,965	6,380	18,193
	<u>Not past due</u>	<u>Past due within 30 days</u>	<u>31 to 60 days past due</u>
<u>At December 31, 2018</u>			
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
	<u>61 to 90 days past due</u>	<u>Up to 90 days past due</u>	<u>Total</u>
<u>At December 31, 2018</u>			
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:

	<u>2019</u>
At January 1	\$ 21,715
Provision for impairment	307
Write-offs	( 3,590)
Effect of foreign exchange	( 239)
At December 31	<u>\$ 18,193</u>
	<u>2018</u>
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	<u>\$ 21,715</u>

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.

	<u>December 31, 2019</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
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
<u>Non-derivative financial liabilities:</u>				
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:

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

(5) Geographical information

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

	<u>As at and for the Year ended December 31,</u>		<u>As at and for the Year ended December 31,</u>	
	<u>2019</u>		<u>2018</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
United States	\$ 11,566,095	\$ 1,800,217	\$ 11,781,643	\$ 112,942
Others	171,288	50,039	231,813	28,548
	<u>\$ 11,737,383</u>	<u>\$ 1,850,256</u>	<u>\$ 12,013,456</u>	<u>\$ 141,490</u>

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.



Coaster Co., Ltd.  
客思達股份有限公司

負責人：高黎莎







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