Stock Code : 2936

客思達 COASTER INTERNATIONAL CO., LTD

客思達股份有限公司

一0六年度年報

ANNUAL REPORT 2017

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Printed on May 21, 2018

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

Name: Michael P Yeh Title： President
Tel： (886) 905-002936 E-mail：2936.ir@coastergroup.com

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
Tel： (886)4-2249-0777#161 E-mail：lilychiu.tw@coastergroup.com

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 - Parter, 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	- Master of Science in Accountancy, University of Missouri, USA - Master of Business Administration, Southern Illinois University, USA - Partner, PricewaterhouseCoopers Taiwan - Chairperson, PricewaterhouseCoopers Financial Advisory Services Consulting Company, Taiwan (普華國際財務顧問(股)公司). - Director, Certified Public Accountants Association of the Republic of China (Taipei) (中華民國北市會計師公會)
Independent Director	Jong Rong Chen	R.O.C	- Ph.D., Economics, University of North Carolina at Chapel Hill, USA - Director, Graduate Institute of Industrial Economics, National Central University, Taiwan - Visiting scholar, Institute of Economics, Academia Sinica, Taiwan - Visiting fellow, Center for Business and Government, Kennedy School of Government, Harvard University, USA - Visiting Research Fellow, Economic Research Center, School of Economics, Nagoya University, Japan - Chairman, Department of Economics, National Central University
Independent Director	Lung Zin Chi	R.O.C	- B.A. and M. A. in Department of Cinema and Audiovisual, University Paris III - Sorbonne Nouvelle, France - Director, Department of Radio, Television & Film, Shih Hsin University, Taiwan

Headquarters, Branches & Plants

(一) The Company

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

(二) Subsidiaries

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

Deliverall Logistics, Inc.	Address	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA
	Tel	(1)562-944-7899
CFS Global, Inc.	Address	190 Elgin Avenue, George Town, Grand Cayman KY 1-9005, Cayman Islands
	Tel	(1)562-944-7899
COA Asia, Inc.	Address	190 Elgin Avenue George Town Grand Cayman KYI-9005 Cayman Islands
	Tel	(886)4-2249-0777
Ye Hey Holding Company Limited	Address	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
	Tel	(852)2598-8663
Ye Hey (ShenZhen) Logistics Service Company	Address	Block C 103, Coaster Industrial Plant, Lanzhu West Road 10th, Shenzhen Export Processing Zone, Pingshan New Distric, Shenzhen China.
	Tel	(86)755-336-19168
Ye Hey Taiwan Logistics Service Ltd.	Address	7F-1, No.360, Beitun Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)
	Tel	(886)4-2249-0777
Coaster Furniture (Asia) Service Holdings Limited	Address	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
	Tel	(852)3962-0402
Coaster Furniture Service (KunShan) Advisory Company	Address	No. 77 ChaoYang Middle Road Kunshan City, Jiangsu Province, China
	Tel	(86)512-552-57508
Ye Hey (Malaysia) Logistics Service SDN BHD	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 : Audrey Tseng, Andy Chang
Accounting Firm：PricewaterhouseCoopers, Taiwan
Address: 13F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 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. 2017 Operation Report

1.1 Summary of Operation

NT$'000 ; %

<table>
<tr><td rowspan="2">Item</td><td colspan="2">Year 2017</td></tr>
<tr><td>NTD</td><td>%</td></tr>
<tr><td>Operating revenues</td><td>11,913,042</td><td>100.00</td></tr>
<tr><td>Operating costs</td><td>8,350,567</td><td>70.10</td></tr>
<tr><td>Gross profit</td><td>3,562,475</td><td>29.90</td></tr>
<tr><td>Operating costs</td><td>291,455</td><td>2.45</td></tr>
<tr><td>Profit before income tax</td><td>227,892</td><td>1.91</td></tr>
</table>

1.2 Financial and Profitability

NT$'000

<table>
<tr><td colspan="3">Item</td><td>Year 2017</td></tr>
<tr><td rowspan="3">Business performance</td><td colspan="2">Operating revenues</td><td>11,913,042</td></tr>
<tr><td colspan="2">Gross profit</td><td>3,562,475</td></tr>
<tr><td colspan="2">Profit before income tax</td><td>227,892</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on total assets（%）</td><td>0.61</td></tr>
<tr><td colspan="2">Return on shareholders' equity（%）</td><td>0.95</td></tr>
<tr><td rowspan="2">In (%) of Capital Stock</td><td>Operating profit (loss)</td><td>38.07</td></tr>
<tr><td>Earnings before income tax</td><td>29.77</td></tr>
<tr><td colspan="2">Net Income Ratio（%）</td><td>0.24</td></tr>
<tr><td colspan="2">Basic EPS (NT$)</td><td>0.37</td></tr>
</table>

A. Operating revenues: Due to the depreciation of USD currency exchange rate against TWD currency, the 2017 NTD presented revenue was lesser than that of prior year. However; in term of USD functional currency, 2017 annual sales revenue was higher than that of prior year.

B. Gross profit: The annual gross profit declined in 2017. This was primarily attributable to the introduction of new product lines, increase of total inventory investment, and retirement of discontinued products at discounted prices.

C. Income tax: The increase of US income tax expense was attributable to the revaluation of deferred tax assets (DTA) of a US subsidiary (CoA Inc.). The reduction of US income tax rate for the period after 2017 leads to the revaluation of DTA of the US subsidiary. Accordingly, Coaster recognizes additional income tax expenses in 2017, reduces its 2017 net profit and EPS.

1.3 Execution of annual budget

Not applicable, Coaster does not disclose its annual budget.

2. Focus of 2018 Business and Development Strategies.

Since the inception of Coaster more than three decades ago, Coaster dedicates in developing its core competency, adapting to the market challenges, and, constantly, seeking for solutions to maintain sustainable business growth. In 2018, Coaster focuses on redefining its brand strategy, expanding and consolidating its distribution channels and completing the execution of its product mix transformation to satisfy the needs of younger US consumer generation.

2.1 Branding and Enhancement

With the success on launching Coaster's co-branding product lines of Donny Osmond Home (DOH) in 2016 and Scott Living (SL) in 2017, Coaster is empowered to target differentiated products to major US consumer groups: DOH products are offered to more affluent US consumers, while SL products are in favored by majority of US younger generation consumers, who emphases trendy, mix-matched furniture solutions with affordable pricing.

To enable Coaster multiple brands (Coaster, DOH, and SL) become more consumer-facing, and Coaster dealers effectively selling Coaster products; Coaster is redesigning its website and connecting to social media. This new Coaster website is expected fully operational by end of 2018. This website will not only provide more comprehensive product information as required by today's on-line shoppers, it will also offer 3D images of Coaster major product items and groups. Coaster dedicates its resources in managing major social media, consumer feedbacks on Coaster products, connecting Coaster marketing to consumers to facilitate pleasant experiences in shopping and enjoying Coaster products.

Enhancing Coaster brands and developing customer loyalty are essential to Coaster's sustainable business. Coaster makes this long-term commitment and develops executable stage-plan to build consumer loyalty.

2.2 Multiple Distribution Channels & Development

A. e-Commerce Channel

Per Euromoniter, US furniture on-line sales volume is expected to exceed $3 billion by 2020; by that time, furniture on-line sales volume will account for about 22% of the total US furniture sales. Coaster has successfully developed its furniture on-line fulfillment channel and become a major supplier to many major US furniture e-retailers. Currently, Coaster’s on-line fulfillment sales volume accounts for about 23% of its total annual sales. In the future, with the expected growth of major brick and mortar furniture retail channel, the ecommerce fulfillment channel sales is expected to continue maintaining at 20% to 23% of total Coaster sales.

Coaster develops a diversified ecommerce customer basis to mitigate over-concentration business risk. In 2018, Coaster focuses on making its ecommerce fulfillment business with profitable growth. . Coaster analyzes the selling history, drop-ship damage records; then, selects suitable products for its ecommerce customers to gain efficiency in e-commerce drop shipment service. It is expected that by end of 2018, this ecommerce fulfillment channel will account for about 20% to 25% of Coaster global sales revenue.

B. Regional Furniture Retailers

The success on introducing of DOH and SL product lines enables Coaster to more effectively developing its sales channel to service major US and Canadian regional furniture retail stores (e.g., Top 100 furniture retail chain stores). Recently, Coaster secured a major Canadian retail chain to place Scott Living (SL) products in the show rooms of over hundreds of Canadian furniture retail stores. In the US, several major furniture retailers have already placed SL and DOH products at their show rooms for consumers to purchase. Recognizing the challenges of longer overseas production and transportation lead-time and Coaster's commitment to ensure the availability of inventory to its products sold by these major furniture retail chain stores, Coaster is closely working with its major dealers in selecting products and developing programs to ensure the success of developing this distribution channel. It is expected that, by end of 2018, the larger furniture store channel will account for about 5% to 7% of Coaster’s annual sales (an expected increase from 3% in 2017).

Coaster continues enhancing its brand value, strengthening its dealer service network, and creating consumer loyalty. Coaster believes, it is for the best interest of its shareholders, to continue developing multiple distribution channels to diversify risks. Coaster works closely with its strategic partners to jointly satisfy US consumer needs.

2.3 Completing New Product Mix

In late 2017, Coaster took an Initiative and offered many new product lines and aggressively replaying its product mix to meet the requirements of today's consumer needs. This initiative led to a dramatic increase of inventory and associated inventory carrying cost. The retirement of old products had negatively affected the gross margin performance in 2017. However, after the completion of replacing product mix during the second quarter of 2018, Coaster gross margin performance and inventory level have returned back to its normal level.

In 2018, Coaster focuses on brand enhancement, multiple distribution channel development, and product mix replacement. Coaster is dedicated to offer its dealers with competitive product and marketing solutions to jointly satisfying the rapidly changing US consumer needs. Coaster formulates various strategies to capture market opportunities and creates value to its shareholders.

3. Market Competition, Regulatory Compliance and Global Economy Prospect

Recent reports indicated a robust US economy, with higher consumer confidence and lower unemployment. The US new income tax law reduces tax burden, and increases US household disposable income, which leads to positive prospects on future spending. However; the US-China trade disputes might add uncertainty to global trade and economy. As an import distributor of furniture products, Coaster has already started diversifying its product sourcing from China to several other Asian countries. It is believed that the current product sourcing strategy should mitigate the potential impact of US-China trade disputes.

Coaster continues cultivating US furniture market by offering competitive products, quality services, creative business solutions and valuable brands. Coaster monitors the allocation of its resources among operation, financing and business development. Coaster commits to create long-term value to its shareholders.

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.

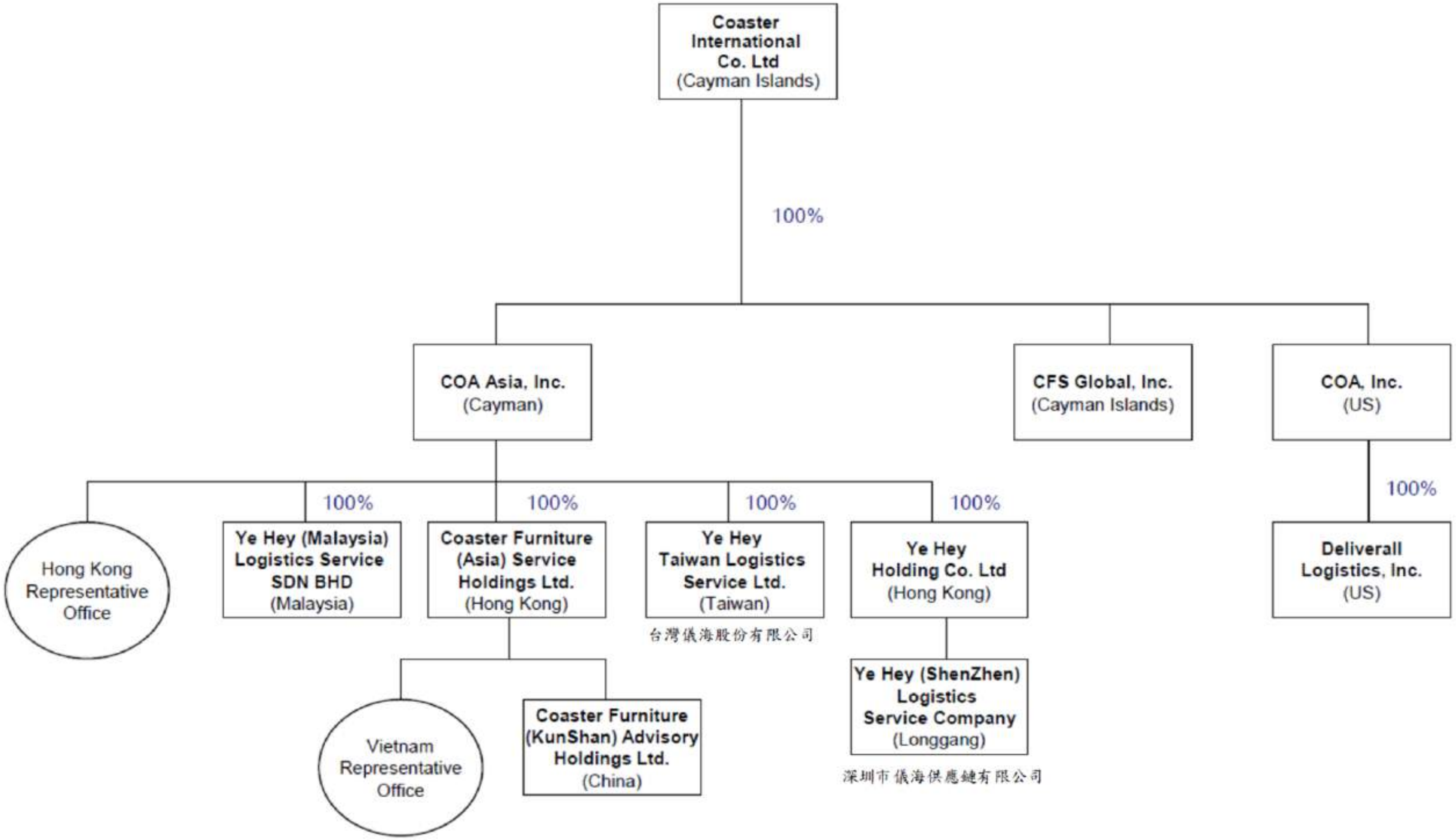
Most of Coaster customers are based in North America, in particular, in the United States. Coaster provides assortments of furniture products with a selection of styles and affordable prices for purchase. Coaster’s major distribution channels include: (a) independent furniture retailers; (b) major U.S. 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. Products under the brand names of "Private Reserve" (PR) and "DOH“ (Donny Osmond Home) are only available to qualified furniture retailers. Coaster designs PR and DOH product lines for more affluent consumers (e.g., baby-boomer and senior generation X consumers). 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. Organization



3. Company History and Milestone Events

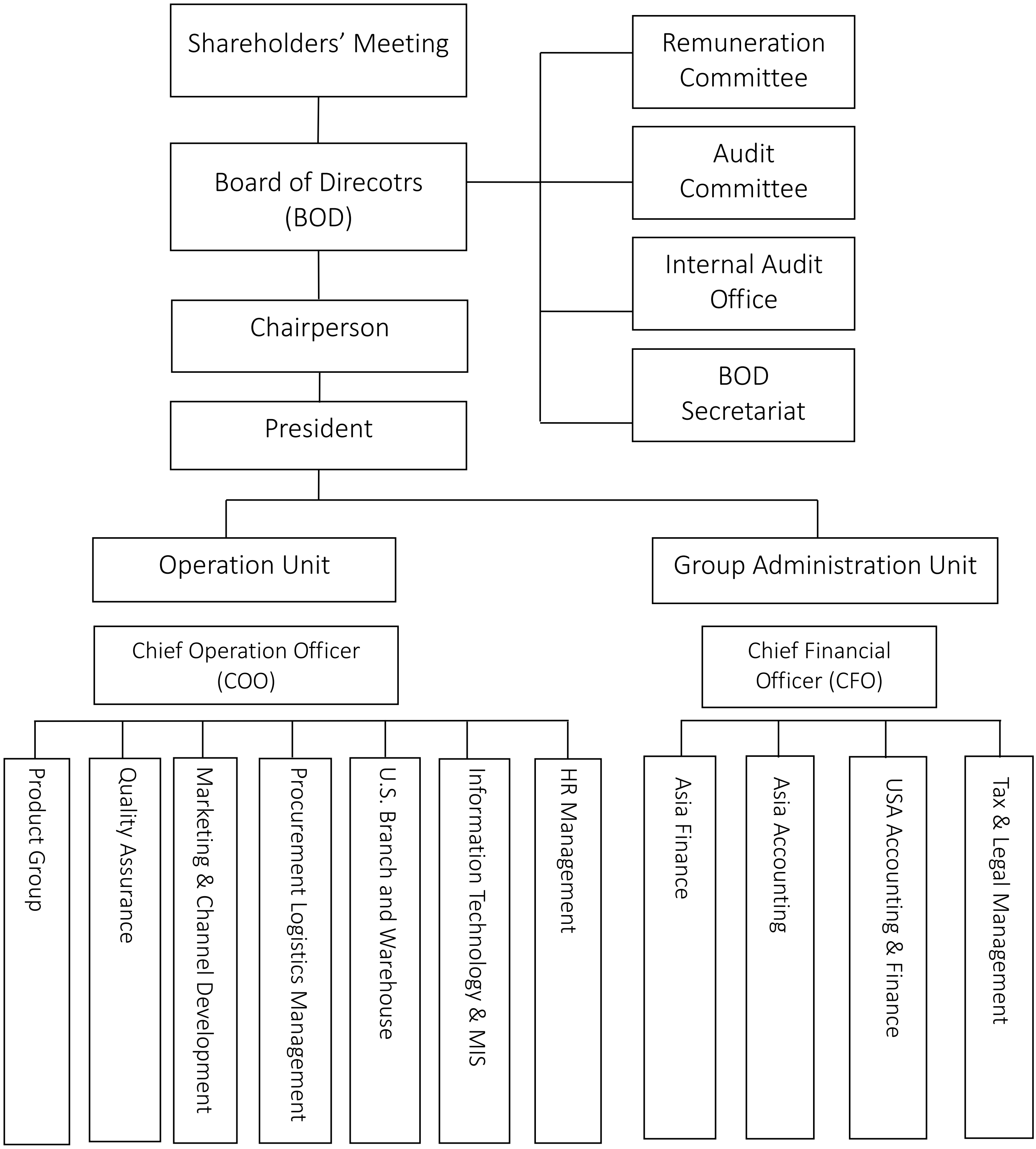
Date	Coaster Group Major Milestone Events:
Feb. 1981	COA Inc. established its headquarters and branch warehouse in Los Angeles County, California.
1985 to 1989	Established additional U.S. branch warehouses: Chicago branch (1985); New Jersey branch (1987); and Atlanta branch (1989).
1991 to 1994	Established 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.

4. Risk Management：Please refer to VII　part 6.

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	1. Establishes compensation policy, performance measurement standards and reward system for directors, supervisors and senior executives. 2. Periodically reviews the adequateness of the compensation and reward structure of directors and senior executives.
Audit Committee	1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Assesses the effectiveness of the internal control system. 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. 4. Board resolutions in which a director is an interested party. 5. Approval of asset transactions or derivatives trading with any material amounts. 6. Approval of corporate lending, endorsements, pledge, and guarantor with any material financial impact. 7. Approves the offering, issuance, or private placement of equity-type securities. 8. The hiring or dismissal of a certified public accountant, and approval of audit service fees. 9. The appointment and discharge of financial accountants or internal auditors. 10. Reviews and approval of annual and semi-annual financial reports. 11. Approves major resolutions submitted by corporate management or requested by regulatory authorities.
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.

<table>
<tr><th colspan="3">Department</th><th>Primary Functions</th></tr>
<tr><td rowspan="3">Group Administration Unit</td><td rowspan="3">CFO</td><td>Finance</td><td>Assists CFO in managing working capital funds, enhancing operation efficiency and cost saving.</td></tr>
<tr><td>Account</td><td>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.</td></tr>
<tr><td>Tax & Legal Management</td><td>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.</td></tr>
<tr><td rowspan="8">Operation Unit</td><td rowspan="8">COO</td><td>Quality Assurance</td><td>Product QC inspection, procurement coordination, ship scheduling, factory selection, and vendor evaluation.</td></tr>
<tr><td>Product Group</td><td>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.</td></tr>
<tr><td>Marketing & Channel Development</td><td>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.</td></tr>
<tr><td>Procurement Logistics Management</td><td>Negotiates shipping contracts. Manages the process of containers allocation, shipping schedules, and import customs clearance.</td></tr>
<tr><td>U.S. Branch and Warehouse Operations</td><td>Supervises U.S. branch services, the operation of branch warehouses and distribution centers. Manages call center customer and consumer services.</td></tr>
<tr><td>Information Technology & MIS</td><td>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.</td></tr>
<tr><td>HR Management</td><td>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.</td></tr>
</table>

2. Directors and Management Team

2.1 Directors and supervisors

2.1.1 Directors

2018/4/14

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	2015/7/12	3	0	0	0	0	0	0	26,938,271	35.19	- Bachelor, School of Foreign Languages and Cultures, Soochow University, Taiwan - Funder of Coaster	- Executive director of COA, Inc.	Senior Director	Janice Yeh	Mother and daughter
Director	Yeko LLC	U.S.A.	-	2015/10/23	2015/10/23	3	26,172,351	39.32	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	Senior Director	Janice Yeh	Father and daughter
	Representative：Michael P Yeh	R.O.C	M				0	0	0	0	0	0	11,146,715	14.56					
Director	Alexander Pan	R.O.C	M	2012/6/10	2015/7/12	3	0	0	86,000	0.11	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
															Marymount University (USA) - Lecturer, MBA Program, University of Southern California. - Certified Public Accountant, USA				
Director	Rong Zing Liu	R.O.C	M	2015/7/12	2015/7/12	3	0	0	0	0	0	0	0	0	- Master of Business Administration, University of KANSAS, USA - CFO and Independent Supervisor of Alcor Micro, Corp.	- Managing Director of COA Asia, Inc. - Director of Alcor Micro Technology Corp.	--	--	--
Independent Director	Hui-Erh Yuan	R.O.C	F	2015/7/12	2015/7/12	3	0	0	0	0	0	0	0	0	- Master of Science in Accountancy, University of Missouri, USA - Master of Business Administration, Southern Illinois University, USA - Partner, PricewaterhouseCoopers Taiwan - Chairperson, PricewaterhouseCoopers Financial Advisory Services Consulting Company, Taiwan (普華國際財務顧問(股)公司). - Director, Certified Public Accountants Association of the Republic of China (Taipei) (中華民國北市會計師公會)	- Supervisor of Sheng Yen Education Foundation - Supervisor of Dharma Drum Mountain Buddhist Foundation (財團法人法鼓山佛教基金會).	--	--	--

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	2015/7/12	3	0	0	0	0	0	0	0	0	- Ph.D., Economics, University of North Carolina at Chapel Hill, USA - Director, Graduate Institute of Industrial Economics, National Central University, Taiwan - Visiting scholar, Institute of Economics, Academia Sinica, Taiwan - Visiting fellow, Center for Business and Government, Kennedy School of Government, Harvard University, USA - Visiting Research Fellow, Economic Research Center, School of Economics, Nagoya University, Japan - Chairman, Department of Economics, National Central University	- Professor, Graduate Institute of Industrial Economics, National Central University, Taiwan - Joint Appointment Research Fellow, Research Center for Humanities and Social Sciences, Academia Sinica, Taiwan - Adjunct Research Fellow, Public Economic Policy Research Center, School of Social Sciences, National Taiwan University - Board Member, Taiwan Economic Association - Board Member, Taiwan Association of Efficiency and Productivity - Executive Board member of the Asia Pacific Innovation Network, University of Melbourne, Australia	--	--	--
Independent Director	Lung Zin Chi	R.O.C	M	2015/7/12	2015/7/12	3	0	0	0	0	0	0	0	0	- B.A. and M. A. in Department of Cinema and Audiovisual, University Paris III - Sorbonne Nouvelle, France - Director, Department of Radio, Television & Film, Shih Hsin University, Taiwan	- Professor, Department of Radio, Television & Film, Shih Hsin University, Taiwan	--	--	--

2.1.2 Supervisors

Not applicable.

2.1.3 Major shareholders of institutional shareholders

2018/4/14

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

Item / 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
	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	
Lisa Kao			✓				✓		✓	✓	✓	✓	✓	0
Yeko LLC (Representative： Michael P Yeh)			✓				✓		✓	✓	✓	✓	✓	0
Alexander Pan	✓	✓	✓			✓	✓	✓	✓		✓	✓	✓	0
Rong Zing Liu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Hui-Erh Yuan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
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. (Unless the person is an independent director of the company, its’ parent company or its subsidiaries of which are required to set up independent director according to “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or local law.)

(3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.
(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.
(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company. (Unless a member of the remuneration committee who has exercised Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter")
(8) Not a spouse or relative within the second degree of kinship of any directors.
(9) Not have any of the circumstance in the subparagraphs of Article 30 of the Company Act.
(10)Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

2.2 President, Vice Presidents, Senior Directors and Department Heads

2018/4/14

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 2nd Degree to Each Other		
					Shares	%	Shares	Shares	%	Shares			Title	Name	Relation
President	Michael P Yeh	R.O.C.	Male	1981/2/21	0	0	0	0	11,146,715	14.56	- 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)	Senior Director	Janice Yeh	Father and daughter
CFO	Alexander Pan	R.O.C.	Male	2015/1/16	86,000	0.11	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 (Note 4)	Toby Konetzny	U.S.A.	Male	2000/6/5	0	0	0	0	0	0	- A.A., Mt. San Antonio College, USA - Legal Assistant, Frank J. Lizaragga Law Firm	- Vice President of Marketing, COA, Inc.	--	--	--
VP (Note 4)	Joshua Chow	U.S.A.	Male	2013/5/6	0	0	0	0	0	0	- B.S., Boston University, USA - Manager Project Executive, IBM Global Service - VP & Manager, Home Savings of America	- Vice President of IT, COA, Inc.	--	--	--
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	- Vice President of Administration and Human Resources, 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 2nd Degree to Each Other		
					Shares	%	Shares	Shares	%	Shares			Title	Name	Relation
											Insurance Company				
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.	--	--	--
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.	--	--	--
Senior Director	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
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., CFS Global, Inc. and CFS (USA), 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：Not applicable to the criteria in Article 2, paragraph 1, item2 of the Securities and Exchange Act Enforcement Rules.

Note 4: The manager has left or retied from the Company. Related information is disclosed till termination date.

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

2017/12/31; NT$’000

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration to Directors</th><th colspan="2" rowspan="2">(A+B+C+D) Percentage of net income after tax (%)</th><th colspan="8">Remuneration to Concurrent Employment</th><th colspan="2" rowspan="2">(A+B+C+D+E+F +G) Percentage of net income after tax (%)</th><th rowspan="2">Other remuneration from investment business except subsidiary</th></tr>
<tr><th colspan="2">Compensation (A)</th><th colspan="2">Pension Fund (B)</th><th colspan="2">Directors remuneration (C)</th><th colspan="2">Operating allowance (D)</th><th colspan="2">Salary, bonus, special allowance (E)</th><th colspan="2">Pension Fund (F)</th><th colspan="4">Remuneration to employees (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th colspan="2">The Company</th><th colspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th><th rowspan="2"></th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Chairman</td><td>Lisa Kao</td><td rowspan="7">3,263</td><td rowspan="7">3,263</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">2,325</td><td rowspan="7">2,325</td><td rowspan="7">44</td><td rowspan="7">55</td><td rowspan="7">19.74</td><td rowspan="7">19.78</td><td rowspan="7">2,913</td><td rowspan="7">39,865</td><td rowspan="7">108</td><td rowspan="7">1,721</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">30.33</td><td rowspan="7">165.54</td><td rowspan="7">0</td></tr>
<tr><td>Director</td><td>Yeko LLC (Representative：Michael P Yeh)</td></tr>
<tr><td>Director</td><td>Alexander Pan</td></tr>
<tr><td>Director</td><td>Rong Zing Liu</td></tr>
<tr><td>Independent Director</td><td>Hui-Erh Yuan</td></tr>
<tr><td>Independent Director</td><td>Jong Rong Chen</td></tr>
<tr><td>Independent Director</td><td>Lung Zin Chi</td></tr>
</table>

Escalation for Remuneration to Directors

<table>
<tr><td rowspan="3">Escalation for remuneration paid to individual directors of the Company (NTD)</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Total of (A+B+C+D)</td><td colspan="2">Total of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company</td><td>All companies in the consolidated statement</td><td>The Company</td><td>All companies in the consolidated statement</td></tr>
<tr><td>Less than 2,000,000</td><td>Lisa Kao、Yeko LLC(Representative：Michael P Yeh)、Alexander Pan、Rong Zing Liu、Hui-Erh Yuan、Jong Rong Chen 、Lung Zin Chi</td><td>Lisa Kao、Yeko LLC(Representative：Michael P Yeh)、Alexander Pan、Rong Zing Liu、Hui-Erh Yuan、Jong Rong Chen 、Lung Zin Chi</td><td>Lisa Kao、Yeko LLC(Representative：Michael P Yeh)、Rong Zing Liu、Hui-Erh Yuan、Jong Rong Chen 、Lung Zin Chi</td><td>Rong Zing Liu、Hui-Erh Yuan、Jong Rong Chen 、Lung Zin Chi</td></tr>
<tr><td>2,000,000 ～ 5,000,000 元
（inclusive of 2,000,000）</td><td>-</td><td>-</td><td>Alexander Pan</td><td>-</td></tr>
<tr><td>5,000,000 ～ 10,000,000 元
（inclusive of 5,000,000）</td><td>-</td><td>-</td><td>-</td><td>Alexander Pan</td></tr>
<tr><td>10,000,000 ～ 15,000,000 元
（inclusive of 10,000,000）</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>15,000,000 ～ 30,000,000 元
（inclusive of 15,000,000）</td><td>-</td><td>-</td><td>-</td><td>Lisa Kao、Yeko LLC (Representative：Michael P Yeh)</td></tr>
<tr><td>30,000,000 ～ 50,000,000 元
（inclusive of 50,000,000）</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>50,000,000 ～ 100,000,000 元
（inclusive of 50,000,000）</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>More than 100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>7</td><td>7</td><td>7</td><td>7</td></tr>
</table>

3.1.2 Remuneration to Supervisors

Not applicable.

3.1.3 Remuneration Paid to President and Vice Presidents

2017/12/31; 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 investment business except subsidiary
								The Company		Consolidated				
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	Consolidated	
President	Michael P Yeh	2,913	53,859	108	2,325	0	3,579	581	0	581	0	12.63	211.50	0
CFO	Alexander Pan													
VP	Toby Konetzny													
VP	Joshua Chow													
VP	Matthew Chen													
VP	Gene Korbut													
VP	John Rodriguez													
VP	Steve Goldsmith													
VP	Crystal Nguyen													

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 2,000,000	-	-
2,000,000 ～ 5,000,000 元 （inclusive of 2,000,000）	Alexander Pan	John Rodriguez
5,000,000 ～ 10,000,000 元 （inclusive of 5,000,000）	-	Alexander Pan, Joshua Chow (Note 1), Matthew Chen, Steve Goldsmith, Gene Korbut, Crystal Nguyen, Toby Konetzny(Note 1)
10,000,000 ～ 15,000,000 元 （inclusive of 10,000,000）	-	-
15,000,000 ～ 30,000,000 元 （inclusive of 15,000,000）	-	Michael P Yeh
30,000,000 ～ 50,000,000 元 （inclusive of 50,000,000）	-	-
50,000,000 ～ 100,000,000 元 （inclusive of 50,000,000）	-	-
More than 100,000,000	-	-
Total	1 人	9 人

Note 1: The manager has left or retied from the Company. Related information is disclosed till termination date.

3.1.4 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	581	581	2.04
	CFO	Alexander Pan				
	VP(Note)	Toby Konetzny				
	VP(Note)	Joshua Chow				
	VP	Matthew Chen				
	VP	Gene Korbut				
	VP	John Rodriguez				
	VP	Steve Goldsmith				
	VP	Crystal Nguyen				
	Director	Janice Yeh				
	Chief Auditor	Elsa Chiao				

Note : The manager has left or retied from the Company. Related information is disclosed till termination date.

3.2 The policy, criteria, composition and process to set the remuneration for President and Vice Presidents and the correlation with operational performance and future risk:

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	2016				2017			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Amount	%	Amount	%	Amount	%	Amount	%
Directors	6,629	1.9	8,031	2.30	5,623	19.74	5,643	19.78
President and Vice President	4,031	1.16	61,055	17.50	3,602	12.63	60,344	211.50

The percentage of remuneration paid to the Board of Directors over net income after tax in 2017 and 2016 is 19.78% and 2.30%, the percentage of remuneration paid to President, CFO and Vice Presidents over net income after tax in 2017 and 2016 is 211.50% and 17.50%, the increase of the percentage of remuneration paid in 2017 is mainly because the net income after tax of 2017 was less than 2016.

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 8 meetings of the Board of Directors held in the period from January 1, 2017 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	8	0	100%	-
Director	Michael P Yeh	8	0	100%	-
Director	Yeko LLC Representative：Michael P Yeh	8	0	100%	-
Director	Alexander Pan	8	0	100%	-
Director	Rong Zing Liu	8	0	100%	-
Independent Directors	Hui-Erh Yuan	8	0	100%	-
	Jong Rong Chen	8	0	100%	-
	Lung Zin Chi	8	0	100%	-

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 1st Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
The 15th Meeting of the 1th Term (March 24, 2017)	1. Amendment to the "Procedure for Acquisition and Disposal of Assets"	✓	None
	2. The Declaration of Internal Control System of the Company (2016/1/1~2016/12/31)	✓	None
	3. Amendment to the "Internal Control System" and the "Level of Authority (LOA)" of the Company.	✓	None
	4. The outline of 2017 Business Plan	✓	None
	5. The assessment result of CPA qualification., the hiring of the CPA, and the compensation given thereto.	✓	None
	6. Amendment to the "Memorandum and	✓	None

Meetings of the 1st Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
	Articles" of the Company.		
	7. The compensation to employees and directors.	✓	None
	8. 2016 Business Report and 2016 consolidated financial statement	✓	None
	9. The proposal for distribution of 2016 profits.	✓	None
	10. The date, place and resolutions to convene of 2017 Annual General Meeting.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 16th Meeting of the 1th Term (May 5, 2017)	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.	✓	None
	2. The contents of shareholders' proposal and the format of Proxies for Attendance at Annual General Meetings.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 17th Meeting of the 1th Term (August 4, 2017)	1. The Q2 2017 consolidated financial statements.	✓	None
	2. The compensation for Managers and Directors of the board.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 18th Meeting of the 1th Term (November 10, 2017)	1. Year 2018 Audit Plan.	✓	None
	2. Amendment to the "Procedural Rules of Board Meetings"	✓	None
	3. The capital lending to COA, Inc. with a maximum amount of US$ 8 million.	✓	None
	4. The capital lending to COA Asia, Inc. with a maximum amount of US$ 3 million.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 19th Meeting of the 1th Term (January 19, 2018)	1. To apply for setting up a FINI (foreign institutional investor) investment account.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 20th Meeting of the 1th Term (March 23, 2018)	1. 2017 Business Report and the Consolidated Financial Statements for the year ended December 31, 2017.	✓	None
	2. 2017 directors' and employees' compensation of the Company.	✓	None
	3. The Proposal for Distribution of 2017 Profits.	✓	None
	4. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None

<table>
<tr><th>Meetings of the 1st Board of Directors</th><th>Contents</th><th>Article 14-3</th><th>Objection or Expression of Reservations</th></tr>
<tr><td rowspan="9"></td><td>5. The Company’s 2018 business plan and budget.</td><td>✓</td><td>None</td></tr>
<tr><td>6. The Declaration of Internal Control System of the Company (2017/1/1~2017/12/31)</td><td>✓</td><td>None</td></tr>
<tr><td>7. The re-election of the Board of Directors of the Company.</td><td>✓</td><td>None</td></tr>
<tr><td>8. Proposal of Directors candidate nomination</td><td>✓</td><td>None</td></tr>
<tr><td>9. Suspend the non-competition restriction on director and its legal representative.</td><td>✓</td><td>None</td></tr>
<tr><td>10. Implementation of Share Buyback program of the company.</td><td>✓</td><td>None</td></tr>
<tr><td>11. The dates, agenda of the Company’s 2018 Annual Shareholders’ Meeting.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Measures the Company take to respond to independent director’s opinions: Not applicable.</td></tr>
<tr><td colspan="3">Resolution: Approved by all attending Directors without objection.</td></tr>
<tr><td rowspan="3">The 21th Meeting of the 1th Term
(April 20, 2018)</td><td>1. To screen the contents of shareholders’ proposal, examine and screen the data and information of each director candidate nominated; and to approve the format of Proxies for Attendance at Annual General Meetings.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Measures the Company take to respond to independent director’s opinions: Not applicable.</td></tr>
<tr><td colspan="3">Resolution: Approved by all attending Directors without objection.</td></tr>
<tr><td rowspan="4">The 22th Meeting of the 1th Term
(May 11, 2018)</td><td>1. To discuss and approve the change of auditors of the Company, starting from the 1st quarter of 2018.</td><td>✓</td><td>None</td></tr>
<tr><td>2.To discuss and approve COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Measures the Company take to respond to independent director’s opinions: Not applicable.</td></tr>
<tr><td colspan="3">Resolution: Approved by all attending Directors without objection.</td></tr>
</table>

(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. The 17th Meeting of the 1th Term (August 4, 2017)

Content : The compensation for Managers and Directors of the board.

Directors recused themselves from the discussion and voting of their compensation resolution.

B. The 20th Meeting of the 1th Term (March 23, 2018)

Content : Proposal of Directors candidate nomination

Directors recused themselves from the discussion and voting of their nomination resolution.

(3) The evaluation of targets for strengthening of the functions of the Board (ex. Establishing the Audit Committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:

Several actions have been made to improve the functions of the Board of Directors, including the establishment of the Audit Committee, and the strengthening of the disclosure of information. The Audit Committee was officially established when the 1th term of the Board of Directors was elected to the office at July 2015 and was made up of the entire number of the independent Directors, the Audit Committee meeting was held quarterly. To fulfill the regulation requirements, the company has also disclosed relevant information on the Company website and the Market Observation Post System (MOPS).

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 2017 and the period from January 1, 2018 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%	-
Member	Jong Rong Chen	6	0	100%	-
Member	Lung Zin Chi	6	0	100%	-

4.2.2. Other matters of importance:

(1) Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None.

Meetings of the 1st Board of Directors	The Contents of Board Meeting	Article 14-5	Resolution made by the Audit Committee
The 9 th Meeting of the 1th Term (March 24, 2017)	1. Amendment to the “Procedure for Acquisition and Disposal of Assets”	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	2. To discuss and approve the Declaration of Internal Control System of the Company (2016/1/1~2016/12/31)	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	3. Amendment to the “Internal Control System” and the “Level of Authority (LOA)” of the Company.	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	4. To discuss and approve the outline of 2017 Business Plan	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.

Meetings of the 1st Board of Directors	The Contents of Board Meeting	Article 14-5	Resolution made by the Audit Committee
	5. To discuss and approve the assessment result of CPA qualification., the hiring of the CPA, and the compensation given thereto.	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	6. To discuss and approve on the compensation to employees and directors.	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	7. To discuss and approve 2016 Business Report and 2016 consolidated financial statement	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	8. To discuss and approve the proposal for distribution of 2016 profits.	✓	Proposed to Audit Committee of 2017/3/24 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
The 10th Meeting of the 1th Term (May 5, 2017)	1. To discuss and approve the extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.	✓	Proposed to Audit Committee of 2017/5/5 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
The 11th Meeting of the 1th Term (August 4, 2017)	1. The Q2 2017 consolidated financial statements.	✓	Proposed to Audit Committee of 2017/8/4 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee's opinions: Not applicable.		
The 12th Meeting of the 1th Term (November 10, 2017)	1. Year 2018 Audit Plan.	✓	Proposed to Audit Committee of 2017/11/10 and be approved by all attending independent directors without objection.
	2. Amendments to the "PROCEDURAL RULES OF BOARD MEETINGS" related Regulations of the Company.	✓	Proposed to Audit Committee of 2017/11/10 and be approved by all attending independent directors without objection.
	3. Amendments to the "PROCEDURES FOR ETHICAL MANAGEMENT" related Regulations of the Company.	✓	Proposed to Audit Committee of 2017/11/10 and be approved by all attending independent directors without objection.
	4. The capital lending to COA, Inc. with a maximum amount of US$ 8 million.	✓	Proposed to Audit Committee of 2017/11/10 and be approved by all attending independent directors without objection.
	5. The capital lending to COA Asia, Inc. with a maximum amount of US$ 3 million.	✓	Proposed to Audit Committee of 2017/11/10 and be approved by all attending

Meetings of the 1st Board of Directors	The Contents of Board Meeting	Article 14-5	Resolution made by the Audit Committee
			independent directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 13th Meeting of the 1th Term (March 23, 2018)	1. 2017 Business Report and the Consolidated Financial Statements for the year ended December 31, 2017.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	2. 2017 directors’ and employees’ compensation of the Company.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	3. The Proposal for Distribution of 2017 Profits.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	4. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	5. The Company’s 2018 business plan and budget.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	6. The Declaration of Internal Control System of the Company (2017/1/1~2017/12/31)	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	7. Implementation of Share Buyback Program of the Company.	✓	Proposed to Audit Committee of 2018/3/23 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 14th Meeting of the 1th Term (May 11, 2018)	1. To discuss and approve the change of auditors of the Company, starting from the 1st quarter of 2018.	✓	Proposed to Audit Committee of 2018/5/11 and be approved by all attending independent directors without objection.
	2.To discuss and approve COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.	✓	Proposed to Audit Committee of 2018/5/11 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		

(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)

A. In addition to providing 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) and attending board of directors meetings to report results of audit operations, the company's Chief Auditor also 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.

B. 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.

C. 2016 Communications among Independent Directors and the Company's Chief Auditor：

D.

Date	Report
2017.03.24	1. Internal audit update: report the summary of the internal audit executed of 2016. 2. Amendment to the "Internal Control System" of the Company.
2017.05.05	1. Internal audit update: report the summary of the internal audit executed of Q1 2017
2017.08.04	1. Internal audit update: report the summary of the internal audit executed of Q2 2017.
2016.11.10	1. Internal audit update: report the summary of the internal audit executed of Q3 2017. 2. To discuss and approve the Year 2018 Audit Plan.

(4) 2016 Communications among Independent Directors and CPA：

Date	Report
2017.03.24	Communication on findings of auditing 2016 financial statement.
2017.05.05	Communication on findings of reviewing Q1 2017 financial statement.
2017.08.04	Communication on findings of reviewing Q2 2017 financial statement.
2017.11.10	Communication on findings of reviewing Q3 2017 financial statement.

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? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		(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. (2) COASTER provides a shareholder roster via a shareholder service agency, and controls the declaration system of shareholding changes of insiders. (3) COASTER has established an Operating Procedure for Transactions Among Interested Parties, Special Companies and Group Enterprises and strictly complies with it. (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.	None
3. Composition and Responsibilities of the board of directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(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

	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	✓ ✓ ✓		(2) COASTER has not set up functional committees other than the Remuneration Committee and the Audit Committee. (3) COASTER has establish the performance evaluation methods of the board of directors at 2018/3/23. (4) The Company annually evaluates the independence of external auditors, and report to Audit Committee and Board of Directors at 2018/3/23.	
4. Is the Company listed in the Corporate Governance unit or person responsible for corporate governance related matters?	✓		COASTER has designated the Secretary of the Board of Directors to handle the relevant matters for corporate governance.	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (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?	✓		COASTER assign related departments to communicate with interested parties; furthermore, there is an "Area for Interested Parties" on the corporate website for customers, suppliers, media and employees to contact the Company. Additionally, it has also established a spokesperson system to fulfill the communication responsibilities in dealing with related topics of investors.	None
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) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and	✓ ✓		(1) COASTER has set up a Chinese website (http://www.coasterinternational.com/) to disclose information regarding the Company's financials, business and corporate governance status. (2) COASTER the Company has a representative to handle information collection and disclosure. TEL: +	None

	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
disclosure, creating a spokesman system, webcasting investor conferences)?			886-4-22490777.COASTER has established a spokesman system. Investor conference information is disclosed on the corporate website. COASTER has established a spokesman system. Investor conference information is disclosed on the corporate website.	
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) Attendance records from the meetings of directors and supervisors: Please see page 26 of this report for the operations of the Board of Directors. If there are any concerns for the motion listed in the meeting for the board of directors, the item shall be avoided and there will be no vote on it. (3) COASTER has taken out D&O insurance for Directors for 2017 and posted on MOPS.	None
9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measure items would be improved: Not applicable.				

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

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.

4.6 Other Important Corporate Governance Information

4.6.1 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.

4.6.2 Directors Profession Enhancement Status

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Independent Director	Jong Rong Chen	2017/11/17	Securities & Future Institute	內線交易與企業社會責任座談會 Insider trading and corporate social responsibility seminar	3
		2017/08/22	Accounting Research and Development Foundation	經濟犯罪中共同正犯、教唆犯及幫助犯等之法律責任與案例解析 Cases analysis and the legal liability of joint offenders, instigators and abettors in economic crime	3

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Director	Alexander Pan	2017/08/22	Accounting Research and Development Foundation	經濟犯罪中共同正犯、教唆犯及幫助犯等之法律責任與案例解析 Cases analysis and the legal liability of joint offenders, instigators and abettors in economic crime	3
		2017/06/28	Taiwan Securities Association	董監事、會計主管的股權移轉及租稅規劃實務 Equity transfer and tax planning for directors and supervisors and accounting supervisor	3
Director (Representative)	Michael P Yeh	2017/12/19	Taiwan Corporate Governance Association	企業經營與危機管理之策略 Business Management and Crisis Management	3
		2017/11/22	Taiwan Corporate Governance Associationv	家族企業傳承與規劃 Issues of family businesses succession and legacy planning	3
Director	Rong Zing Liu	2017/08/18	Accounting Research and Development Foundation	經濟犯罪中「特殊背信罪」罪之型態、案例解析與相關法律責任探討 Cases analysis and the legal liability of “Offenses of Breach of Trust” in economic crime	3
		2017/07/14	Securities & Future Institute	上市公司內部人股權交易法律遵循宣導說明會 Propaganda for listing company of current regulations on the shareholdings of the insiders	3
Director	Lisa Kao	2017/12/19	Taiwan Corporate Governance Association	企業經營與危機管理之策略 Business Management and Crisis Management	3

Title	Name	Date	Organizing agency	Training/Speech title	Hours
		2017/11/22	Taiwan Corporate Governance Association	家族企業傳承與規劃 Issues of family businesses succession and legacy planning	3
Independent Director	Hui-Erh Yuan	2017/12/21	Taiwan CPA Association, ROC	會計師因應洗錢防制之風險評估 Money laundering control and risk management	3
		2017/12/19	Taiwan CPA Association, ROC	非上市(櫃)公司新式會計師查核報告之解析及釋例 Analysis and cases study of the new and revised Auditor Reporting standards for non-public companies.	3
		2017/11/27	Taiwan CPA Association, ROC	受人之託、忠人之事 - 談董事之受託人義務 Director's Trustee Obligations	3
Independent Director	Lung Zin Chi	2017/08/17	Accounting Research and Development Foundation	公司治理之功能性委員會設置要義與運作實務 Functional committee under Corporate governance framework and its operations	3
		2017/07/07	Securities & Future Institute	上市公司內部人股權交易法律遵循宣導說明會 Propaganda for listing company of current regulations on the shareholdings of the insiders	3

4.6.3 Key Management Profession Enhancement Status

Title	Name	Date	Organizing agency	Training/Speech title	Hours
CFO	Alexander Pan	2017/08/22	Accounting Research and Development Foundation	經濟犯罪中共同正犯、教唆犯及幫助犯等之法律責任與案例解析 Cases analysis and the legal liability of joint offenders, instigators and abettors in economic crime	3
		2017/08/22	Accounting Research and Development Foundation	國際會計準則第１６號「不動產、廠房及設備」（IAS16）解析 Analysis of IAS 16 — Property, Plant and Equipment	3
		2017/08/18	Accounting Research and Development Foundation	經濟犯罪中「特殊背信罪」罪之型態、案例解析與相關法律責任探討 Cases analysis and the legal liability of “Offenses of Breach of Trust” in economic crime	3
		2017/06/28	Taiwan Securities Association	董監事、會計主管的股權移轉及租稅規劃實務 Equity transfer and tax planning for directors and supervisors and accounting supervisor	3
Chief Auditor	Elsa Chiao	2017/11/22	Computer Audit Association	資訊部門稽核與資訊系統控制查核 Discussion of IT department auditing and detecting information system control point	6
		2017/09/28	Computer Audit Association	Excel 對稽核業務應收帳款管理報表實務操作解析 Practice of auditing account receivable over excel management report	7

4.6.4 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$8 million (NT$ 237,120,000).

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

4.4.1. Information of the Remuneration Committee Members

Role	Condition / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Independent Criteria（Note 2）								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		
Independent Director	Hui-Erh Yuan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
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. Not applicable 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 persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
(7) Not a professional individual who is 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.
(8) Not been a person of any conditions defined in Article 30 of the Company Law.

4.4.2. Executive Status of the Remuneration Committee

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

(2) The current term is from July 12, 2015 until July 11, 2018. 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%	-
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.

4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status: Yes	No	Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?	✓		(1) The Company has put in place the approved (by the Board of Directors) CSR policies and additionally set up the internal "Code of Practice for Corporate Social Responsibility" so we can assess the execution results regularly.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		(2) CSR course training is held periodically.	
(3) Does the company establish exclusively (or concurrently) a dedicated first-line department and does any senior management member authorized by the board take charge of proposing and implementing the corporate social responsibility policies and report the implementation results to the board?	✓		(3) The company has already established CSR regulations, and we have appointed our Secretary of BOD with the responsibility to further establish and execute policies, systems, managerial guidelines, promotions, and other company strategies related to energy conservation and carbon reduction.	
(4) Does the company declare a reasonable salary remuneration policy and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective rewards and disciplinary system?	✓		(4) The company has established employee guidelines, annual performance review, and incentive programs, combining evaluation with our CSR policies.	
2. Sustainable Environment Development				None
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(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 vertically integrated with us will continue to use materials that conform to safety and environmental standards.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓ ✓		(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.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the company provide its employees with career development and	✓ ✓ ✓ ✓ ✓		(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. (2) 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. (3) 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. Each of the warehouse (branch) follows the local laws and regulations to execute a monthly security check. Also, the social security insurance, workmen's compensation and travel accident insurance are part of our employee benefit package. (4) COASTER has a monthly area meeting to provide periodical communication and re-enforce the energy conversation practice. (5) Incorporating individual employee's career interests, strengths	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
training sessions?			and weaknesses, supervisors help their staff draw up individual training plans at the annual performance review and give employees guidance on enhancing their skills and abilities for career advancement.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) COASTER at points of sales have established a customer service line to aid our company's dealers and customers in a timely manner.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) 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 label content outside of all packages.	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	✓		(8) 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.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) 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.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)	✓		COASTER has set up a website to communicate what social responsibilities we have taken on. Our goal is to continue to communicate with the public of our mission and accomplishments in this area.	No
5. 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.				
6. 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.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: Not applicable, as the company has not established its CSR report. In the future, we will re-evaluate this item.				

4.6 Ethical Corporate Management

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>1. Establishment of ethical corporate management policies and programs
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?
(2) 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?
(3) (3)Does the company 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?</td><td>✓
✓
✓</td><td></td><td>The company has set up its own ethical corporate management best practice principles applicable to all parties related to its business groups and organizations and disclose their ethical corporate management best practice principles on the Market Observation Post System.</td><td>None</td></tr>
<tr><td>2. Fulfill operations integrity policy
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</td><td>✓
✓</td><td></td><td>(1) The Company has carried out the necessary information collection procedures prior to the establishment of the formal business relationship with major customers, with each has entered a cooperation contract stipulates the confidentiality and integrity of the parties in accordance with business practices Terms.
(2) The company has designated the Secretary supervised by BOD responsible for integrity operating procedure.</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓ ✓ ✓		(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 (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. (5) The company declare the importance of its ethical corporate management and held the training annually for managers.	
3. Operation of the integrity channel (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? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	✓ ✓ ✓		(1) The best practice principles have state the confidential reporting function included and Employees may report any ethics violation, internal fraud, or complaint to Secretary of BOD, in any manner. (2) The company has designated the internal audit department in charge of the investigating accusation cases and public the independent mailbox on Company's website. (3) The company has not yet set up the whistleblower system, but the actual operation is satisficed as needed.	The company has not yet set up the whistleblower system, but the actual operation is satisficed as needed.

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 (http://www.coasterinternational.com/) 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 the 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).: For more detailed information, please refer to the company's official website: http://www.coasterinternational.com/index.htm				

4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at: http://www.coasterinternational.com/ (公司治理專區/公司治理).

4.8 Other Important Information Regarding Corporate Governance: None.

4.9 Internal Control System Execution Status

4.9.1. Statement on Internal Control

客思達股份有限公司
內部控制制度聲明書

日期：107年3月23日

本公司民國106年1月1日至民國106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106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107年3月23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，併此聲明。

客思達股份有限公司

董事長：高黎羚　簽章

總經理：葉伯璘　簽章

4.9.2. 2018 Auditor's Report on the 2017 Statement of Internal Control System

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 107 年 3 月 23 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 106 年 1 月 1 日至 106 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 106 年 1 月 1 日至 106 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 107 年 3 月 23 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

會計師 許文琦 曾惠瑾

行政院金融監督管理委員會證券期貨局
核准簽證文號：金管證六字第 0950105016 號
前財政部證券管理委員會
核准簽證文號：(79)台財證(一)第 27815 號

中　華　民　國　1 0 7　年　3　月　2 3　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

	Date	Resolutions of Shareholders' Meeting
Shareholders' Meeting	2017/6/26	1. To approve 2016 final accounting books and financial statements (including business report). 2. To approve the proposal for distribution of 2016 profits. Implementation situation：decides to distribute cash dividend of NT$ 306,222,784, the record date for distributing dividends on 2017/7/31, and issued on 201/8/30. 3. Amendment to the "Memorandum and Articles" of the Company. 4. Amendment to the "Procedure for Capital lending to others".

4.11.2. Major Resolution of Board Meetings

	Date	Resolution of the Board Meetings
Board Meeting	2017/3/24	1. Amendment to the "Procedure for Acquisition and Disposal of Assets" 2. To discuss and approve the Declaration of Internal Control System of the Company (2016/1/1~2016/12/31) 3. Amendment to the "Internal Control System" and the Level of Authority (LOA). 4. To discuss and approve the outline of 2017 Business Plan 5. To discuss and approve the assessment result of CPA qualification., the hiring of the CPA, and the compensation given thereto. 6. To discuss and approve on the compensation to employees and directors. 7. To discuss and approve 2016 Business Report and 2016 consolidated financial statement 8. To discuss and approve the proposal for distribution of 2016 profits.
Board Meeting	2017/5/5	1. To discuss and approve the extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5 million. 2. To discuss and approve the contents of shareholders' proposal and the format of Proxies for Attendance at Shareholder Meetings.
Board Meeting	2017/8/4	1. The Q2 2017 consolidated financial statements. 2. The compensation for Managers and Directors of the board.
Board Meeting	2017/11/10	1. Year 2018 Audit Plan. 2. Amendment to the "Procedural Rules of Board Meetings" 3.Amendments to the "PROCEDURES FOR ETHICAL MANAGEMENT" related Regulations of the Company. 4. The capital lending to COA, Inc. with a maximum amount

	Date	Resolution of the Board Meetings
		of US$ 8 million. 5. The capital lending to COA Asia, Inc. with a maximum amount of US$ 3 million.
Board Meeting	2018/1/19	1. To apply for setting up a FINI (foreign institutional investor) investment account.
Board Meeting	2018/3/23	1. 2017 Business Report and the Consolidated Financial Statements for the year ended December 31, 2017. 2. 2017 directors' and employees' compensation of the Company. 3. The Proposal for Distribution of 2017 Profits. 4. The assessment result of independence and suitability of the CPA engaged by the company regularly. 5. The Company's 2018 business plan and budget. 6. The Declaration of Internal Control System of the Company (2017/1/1~2017/12/31) 7. Amendment to the "Corporate Governance Best Practice Principles" 8. Amendment to the "Procedures for Handling Material Inside Information". 9. Amendment to the "Self-Evaluation or Peer Evaluation of the Board of Directors" 10. The re-election of the Board of Directors of the Company. 11. Proposal of Directors candidate nomination 12. Suspend the non-competition restriction on director and its legal representative. 13. Implementation of Share Buyback program of the company. 14. The dates, agenda of the Company's 2018 Annual Shareholders' Meeting.
Board Meeting	2018/4/20	1. To screen the contents of shareholders' proposal, examine and screen the data and information of each director candidate nominated; and to approve the format of Proxies for Attendance at Annual General Meetings.
Board Meeting	2018/5/11	1. To discuss and approve the change of auditors of the Company, starting from the 1st quarter of 2018. 2.To discuss and approve COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.

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

NT$'000

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Registration	Human Resources	Other	Total		
Pricewaterhouse Coopers, Taiwan	Audrey Tseng Andy Chang	8,664	-	-	-	556	556	2017.1.1~ 2017.12.31	Non-audit fees refers to ERP consultation service

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 Hui-Lin Pan.

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	2016		2017		2018/1/1 ~2018/4/14	
		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	80,000	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

Title	Name	2016		2017		2018/1/1 ~2018/4/14	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Major Shareholder	Yeh Family Limited Partnership, LP	(5,000,000) (Note)	0	0	0	0	0
Major Shareholder	YSC Limited Partnership, LP	2,501,000 (Note)	0	0	0	0	0
Major Shareholder	YJM Family Limited Partnership, LP	2,499,000 (Note)	0	0	0	0	0
VP	Toby Konetzny (Note)	0	0	0	0	0	0
VP	Joshua Chow (Note)	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
Senior Director	Janice Yeh	0	0	0	0	0	0
Chief Auditor	Elsa Chiao	10,000	0	0	0	0	0

Note: The manager has left or retied from the Company. Related information is disclosed till termination date.

8.2 Shareholding Transferred：None.

8.3 Shareholding Pledged：None.

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

2018/4/14

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 YSC Limited Partnership, LP YJM Family Limited Partnership, LP Kayeh Management Limited Partnership, LP	within 2 degrees of consanguinity to each other
Yeh Family Limited Partnership, LP (Partnership：Lisa Kao、Michael P Yeh)	18,977,649	24.79	0	0	0	0	Yeko LLC YSC Limited Partnership, LP YJM Family Limited Partnership, LP Kayeh Management Limited Partnership, LP	within 2 degrees of consanguinity to each other

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse & Minor Children’s Shareholding</th><th colspan="2">Share-holding in Name of Others</th><th colspan="2">Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Name</th><th>Relationship</th></tr>
<tr><td rowspan="4">YSC Limited Partnership, LP (Partnership：Lisa Kao、Michael P Yeh)</td><td rowspan="4">7,503,000</td><td rowspan="4">9.80</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td>Yeko LLC</td><td rowspan="4">within 2 degrees of consanguinity to each other</td></tr>
<tr><td>Yeh Family Limited Partnership, LP</td></tr>
<tr><td>YJM Family Limited Partnership, LP</td></tr>
<tr><td>Kayeh Management Limited Partnership, LP</td></tr>
<tr><td rowspan="4">YJM Family Limited Partnership, LP (Partnership：Lisa Kao)</td><td rowspan="4">7,497,000</td><td rowspan="4">9.79</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td>Yeko LLC</td><td rowspan="4">within 2 degrees of consanguinity to each other</td></tr>
<tr><td>Yeh Family Limited Partnership, LP</td></tr>
<tr><td>YSC Limited Partnership, LP</td></tr>
<tr><td>Kayeh Management Limited Partnership, LP</td></tr>
<tr><td rowspan="4">Investment Fund of Kayeh Management Limited Partnership, LP (Custodian institution: CTBC Bank)</td><td rowspan="4">5,130,696</td><td rowspan="4">6.70</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td>Yeko LLC</td><td rowspan="4">within 2 degrees of consanguinity to each other</td></tr>
<tr><td>Yeh Family Limited Partnership, LP</td></tr>
<tr><td>YSC Limited Partnership, LP</td></tr>
<tr><td>YJM Family Limited Partnership, LP</td></tr>
<tr><td>Lin Shiyu (Transliteration)</td><td>662,000</td><td>0.86</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td></tr>
<tr><td>Zhuo Huanting (Transliteration)</td><td>440,000</td><td>0.57</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td></tr>
<tr><td>Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank) 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</td><td>435,000</td><td>0.57</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td></tr>
<tr><td>LuCai SuJing (Transliteration)</td><td>403,000</td><td>0.53</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td></tr>
<tr><td>Hong Renjie (Transliteration)</td><td>392,000</td><td>0.51</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td></tr>
</table>

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

2016/12/31; 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: The ratio is based on the proportion of Investor company’s contributions to the registered capital.

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	USD1	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	USD1	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	NTD10	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	NTD10	200,000,000	NTD 2,000,000,000	66,555,696	NTD 665,556,960	Change authorized capital	-	-
2016/9	NTD10	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.

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.

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	Listed securities

1.1.3 Shelf Registration: None

1.2 Composition of Shareholders

2018/414

Types / Amounts	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Foreign Persons	Domestic Citizens	Total
Numbers	0	0	3	18	1,513	1,553
Shares	0	0	7,000	66,035,696	10,513,000	76,555,696
Shareholding ratio (%)	0	0	0.01	86.26	13.73	100.00

1.3 Distribution Profile of Share Ownership

2018/4/14

Level	Number of shareholders	Shares	%
1 ~ 999	46	4,731	0.01
1,000 ~ 5,000	1,174	2,315,269	3.02
5,001 ~ 10,000	149	1,262,000	1.65
10,001 ~ 15,000	47	615,000	0.80
15,001 ~ 20,000	34	627,000	0.82
20,001 ~ 30,000	27	699,000	0.91
30,001 ~ 40,000	16	563,000	0.74
40,001 ~ 50,000	7	322,000	0.42
50,001 ~ 100,000	16	1,144,000	1.49
100,001 ~ 200,000	6	944,000	1.23
200,001 ~ 400,000	3	839,000	1.10
400,001 ~ 1,000,000	4	1,940,000	2.53
1,000,001 and above	5	65,280,696	85.28
Total	1,534	76,555,696	100.00

1.4 Major Shareholders

2018/4/14

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	9.80
YJM Family Limited Partnership, LP	7,497,000	9.79
Investment Fund of Kayeh Management Limited Partnership, LP (Custodian institution: CTBC Bank)	5,130,696	6.70
Lin Shiyu (Transliteration)	662,000	0.86
Zhuo Huanting (Transliteration)	440,000	0.57
Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank) 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	435,000	0.57
LuCai SuJing (Transliteration)	403,000	0.53
Hong Renjie (Transliteration)	392,000	0.51

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

NT$'000; shares

Item \ Year			2016	2017	2018 (as of March 31)
Share price	High		51.00	52.4	33.80
	Low		33.75	30.05	25.90
	Average		39.05	40.01	30.25
Net Value per share	Before distribution		42.78	35.75	33.80
	After distribution		38.78	35.75 (Note 1)	-
Earnings per share	Weighted-average outstanding shares		69,315	76,556	76,554
	Basic EPS		5.03	0.37	(1.33)
	Retroactively adjusted EPS		-	-	-
	Diluted EPS		4.73	0.35	(1.33)
Dividend per share	Cash dividend		4.00	0.3 (Note 1)	-
	Stock dividend	Distribution of surplus	-	-	-
		Additional Paid-In Capital	-	-	-
	Accumulated un-distributed dividend		-	-	-
Return on Investment	Price / Earnings ratio (Note 2)		7.76	108.14	-
	Price / Dividend ratio (Note 3)		9.76	133.37	-
	Cash Dividend yield (Note 4)		10.24%	0.75%	-

Note 1: To be resolved by the 2018 Annual General Meeting.
Note 2: 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 2017 profits to be approved at the Shareholders' Meeting: Cash dividend of NT$ 0.3 per share is proposed to be distributed.

1.7 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

Coaster did not distribute any stock dividend yet, thus it's not Applicable.

1.8 Employees' Compensation and Directors' Remuneration

1.8.1 Description regarding employees' compensation and Directors' remuneration in the Articles of Incorporation:

Please refer to page 61, 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 Articles of Incorporation 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 2017 employees' compensation and Directors' remuneration was resolved in the meeting on 23 March 2018 by the Board of Directors, and will be submitted to the 2018 shareholders' meeting. The amounts and forms are (a) Employees' compensation: USD $ 76,490 in cash, (b) Directors' remuneration: USD $ 76,490 in cash. Regarding the amount of employees' compensation and Directors' remuneration in cash or in shares, the discrepancy, if there is any, between the estimated amount and the amount being actually paid, will be treated as the changes at the accounting estimate, and such changes are adjusted in 2018.

(2) Proposed employee compensation by shares as percentage of net income and total employee compensation: It is revolved to be distributed by cash, hence it is not applicable

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 in 2016.

1.9 Share buyback by the Company:

Time of buyback	1st 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

2018/4/14

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	10 years 2015/11 / 1 ~ 2022 /10 / 31
Source of Option Shares	New Common Share
Vesting Schedule	(1) 2nd Year: up to 40% (2) 3rd Year: up to 70% (3) 4th Year: up to 100%
Shares Exercised	0

Invaild / Expired	708,000 shares
Value of Shares Exercised (NT$)	0
Shares Unexercised	3,586,000 shares
Grant Price Per Share (NT$)	NT$ 36.0
Percentage of Shares Unexercised to Outstanding Common Shares（%）	4.68%
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	1,512,000	1.98	-	-	-	-	1,512,000	NT $ 36.0	54,432,000	1.98
	CFO	Alexander Pan										
	VP	Toby Konetzny (Note)										
	VP	Joshua Chow (Note)										
	VP	Matthew Chen										
	VP	Gene Korbut										
	VP	John Rodriguez										
	VP	Steve Goldsmith										
	VP	Crystal Nguyen										
	Senior Director	Janice Yeh										
	Chief Auditor	Elsa Chiao										

Note: The manager has left or retied from the Company. Related information is disclosed till termination date.

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	Senior Director	Alice Chang	1,560,000	2.04	-	-	-	-	1,560,000	NT $ 36.0	56,160,000	2.04
	VP	Bobby Chin										
	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										

Note: The manager has left or retied from the Company. Related information is disclosed till termination date.

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	2016		2017		2018 Q1	
	Amount	%	Amount	%	Amount	%
Indoor Furniture Sales Revenue	12,112,213	99.27	11,829,368	99.30	3,032,141	99.32
Others	88,634	0.73	83,674	0.70	20,639	0.68
Total	12,200,847	100.00	11,913,042	100.00	3,052,780	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 provides its major dealers with certain selections that are exclusive for regional distributions (i.e., “Managed Distribution Model”). These selections are under the brand name of “Private Reserve” and “DOH” (i.e., Donny Osmond Home product series). In 2016, Coaster introduced DOH product line to satisfy the needs of more affluent consumer groups, in particular, the Baby-boomer and Senior Generation X consumers. In 2017, Coaster and Scott Living launched a 300-plus-SKU Scott Living collection with styles and prices that are attractive to younger generation consumers (i.e., Generation

Millennium)

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.

In addition to facilitating dealers pick-up merchandise from nearby Coaster warehouses (i.e., “Will-Call”), Costar offers third-party managed shipping services to deliver the purchased merchandise to the locations designated by its dealers (e.g., distribution centers, retail stores, or consume homes/offices.)

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. 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 late 2017: "Scott Living".

Coaster invests heavily in developing ERP and decision support systems to enable efficiently managing its supply chain, including a new generation cloud-based ERP and decision support system.

1.2 Industry Overviews

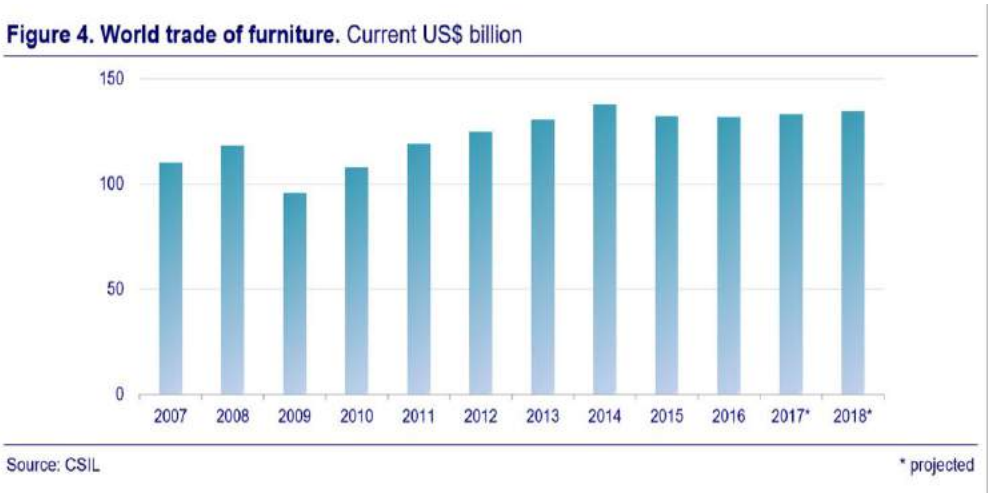
1.2.1 Current Development of Furniture Industry

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.

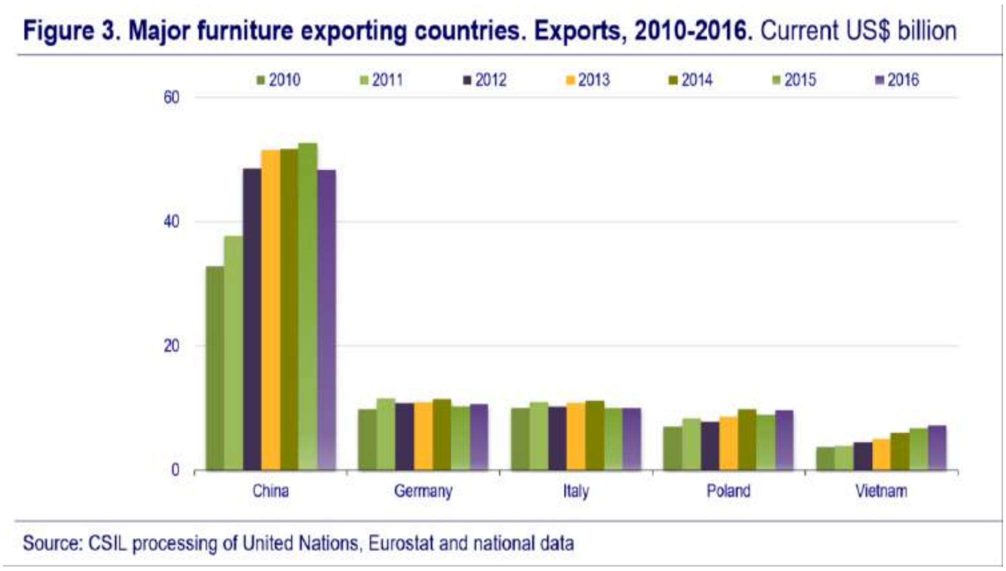
(1) Global Furniture Industry:

Per CSIL report, over the past decade, global furniture industry enjoys a robust recovery from the setback of 2009 financial tsunami. In 2011, the total global trading value of furniture products exceeded its pre-financial crisis level. Since 2011, the global trading of furniture products enjoyed an average annual growth of 6 percent. In 2013 and 2014, the global furniture trade reached to USD 128 billion and USD 134 billion respectively. The report indicated, for the 10-year period after the 2009 financial tsunami, the global furniture trading value increased about 74% from that of 2009. The CSIL report projects, adjusted by the factor of U.S. currency depreciation, in 2016, the total global furniture trading amounted to about USD 132 billion.

(《World Furniture Outlook 2017》)



Per CSIL, the bulk of international trade of furniture originates in China, Germany, Italy, Poland and Vietnam and goes to the US, Germany, the UK, France, and Canada. The main furniture exporting country is China, followed at a distance by Germany, Italy, Poland and Vietnam. A major new development is the decrease of Chinese furniture exports in 2016. The fastest growing furniture exporter (from a low base) is Vietnam.

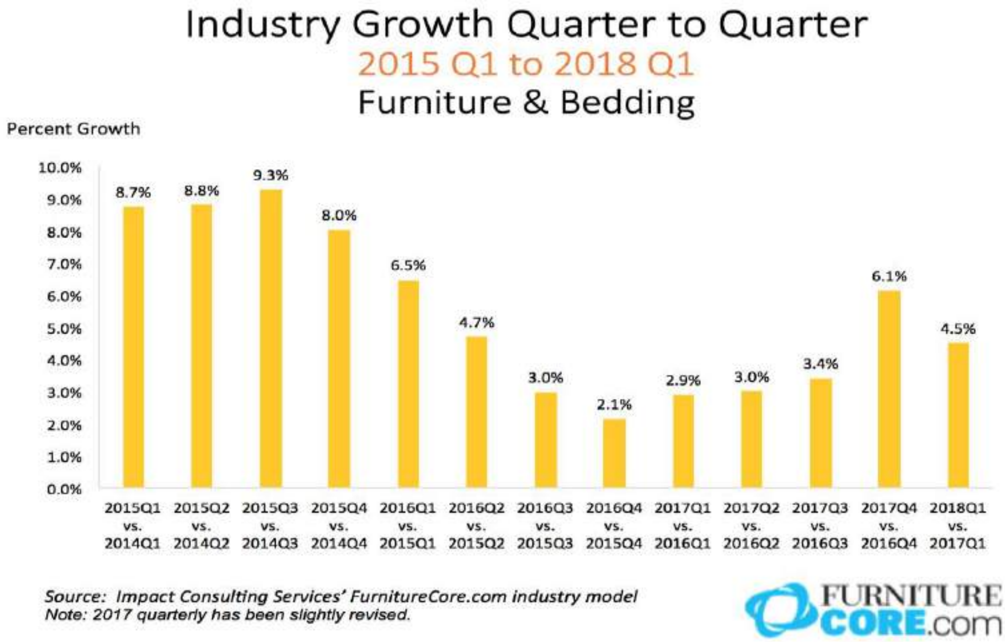


(2) U.S. Furniture Industry:

Currently, U.S. is Coaster's primary market. In 2016 and 2017, U.S. sales revenue accounts for 98.28% and 98.62% 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.

With the recovery of U.S. economy, per 《FurnitureCore.com》, total furniture and bedding products sold in the U.S. reached to USD 105.19 billion in 2017, which represents a 3.87% increase from that of 2016. Per HFBUSINESS latest report, from the third quarter of 2016, to the third quarter of 2017, U.S. furniture industry maintained a lower growth of 2.1% - 3.4%, however, during the forth quarter of 2017 and the first quarter of 2018, the report notes a high growht of 6.1% and 4.5% respectly.



According to US Census Bureau data, Chinese imports totaled $11.3

billion in 2017, a 48% market share. Vietnam was second, with $3.4 billion, an 11.5% share. Due to the competitive furniture production cost overseas, it is expected that, in the foreseeable future, U.S. will continue import furniture products from overseas factories.

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.

Per 《Furniture Today》, the Top 100 U.S. furniture retailers collectively enjoyed an annual growth of 7.20% of 2016. The study indicated that the larger U.S. furniture retail stores have suppressed the U.S. independent furniture retailers in the brick and mortar furniture distribution sector.

Recently, 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.

<table>
<tr><td rowspan="5">Asia Material and Component Suppliers</td><td><u>Upstream</u>
(Manufactures, Subcontractors)</td><td><u>Midstream</u>
（Wholesalers and Import Distributors）</td><td><u>Downstream</u>
（Retailers）</td><td rowspan="5">North America Consumers</td></tr>
<tr><td colspan="3">Major Functions</td></tr>
<tr><td>• Manufacturing Resources Integration.
• Production Processing Design.
• Manufacturing R&D.
• Production Quality Control.
• Business Promotion and Marketing (Product Shows)</td><td>• Market Analysis
• Product Design & Merchandising.
• Factory Sourcing & Evaluation
• Product Safety Standard Compliance.
• Product Quality Inspection.
• Shipping Coordination.
• Marketing & Show Promotion.
• Warehousing and Logistics.
• Ecommerce & Transaction Platform Support.
• Insurance on Credit Sales
• Post-Sales Service Support.</td><td>• Retailing & Product Display.
• Marketing, Advertising and Promotion.
• Retailing and Sales Services.
• Consumer Credit Facilitation.
• Product Delivery Services.
• After-Sales Services.</td></tr>
<tr><td colspan="3">Coaster Controls its Supply Chain</td></tr>
<tr><td>Coaster sources products from over 200 overseas factories. Coaster has effectively diversified its sourcing risk.</td><td>Coaster provides supply-chain-manger functions to its upstream and downstream stakeholders.</td><td>Coaster sales to over 8,000 U.S. retailers. Coaster diversifies customer concentration risk.</td></tr>
</table>

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 over 4,000 SKU of furniture products from over 200 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.

At the midstream of its furniture supply chain, Coaster purchases over 4,000 SKU of furniture products from over 200 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.

1.2.4 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	2016		2017		2018 Q1	
	Amount	%	Amount	%	Amount	%
USA	11,991,354	98.28	11,748,155	98.62	2,947,978	97.95
Others	209,493	1.72	164,887	1.38	61,579	2.05
Subtotal	12,200,847	100.00	11,913,042	100.00	3,009,557	100.00

2.1.2 Market Share

Coaster is a supplier of furniture products in U.S. Per《Furniture Today》, in 2017; the Top-20 U.S. furniture suppliers collectively sold USD 12.53 billion of furniture. in 2017, 《Furniture Today》 ranks Coaster as the tenth largest furniture supplier in the 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, Coaster market share is estimated to be about 2.31%.

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.

<Key Sources for the U.S. furniture market>

Unit：USD million

Rank	Company	Estimated US furniture shipments	
		2017	2016
1	Ashley Furniture Inds.	$4,948.7	$4,721.9
2	La-Z-Boy	$1,182.7	$1,165.9
3	Dorel Inds.	$662.0	$615.8
4	Hooker Furniture	$589.6	$536.8
5	Sauder Woodworking	$571.9	$545.3
6	Flexsteel Inds.	$460.8	$451.1
7	Samson Holding	$446.6	$402.7
8	Man Wah Holdings	$446.0	$434.4
9	L & P Fashion Bed Group	$424.3	$339.2
10	**Coaster Company**	**$378.7**	**$363.9**
11~20	…..		
Total		$12,531.8	$11,951.7

Source：FurnitureToday.com

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 quarterly updated information. Currently, Coaster supports three major brand-name series: "Coaster", "Private Reserve" and "DOH" (i.e., Donny Osmond Home). In late 2017, a new product series under the name of “Scott Living” will also be introduced.

Product series under "Coaster Brand" are sold to all dealers, including brick-mortar and ecommerce retailers (i.e., “open distribution model”). "Private Reserve" and "DOH" brand products can only be distributed by qualified retailers (i.e., "managed distribution model"). Where a qualified regional retailer has the exclusivity of distributing right in a designated market.

In general, DOH products are designed for more affluent consumers, in particular, the Baby-boomer and Aged X Generation consumers who require different product styles and materials. “Coaster Brand” products are targeted for the general public with more affordable price points.

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.

Recently, Coaster develops new product series to penetrate U.S. regional furniture chain stores. Studies have shown that, within the brick and mortar furniture-retailing sector, regional furniture chain stores have experienced a much faster growth than that of independent stores. It is expected with the new product lines and managed distribution business model, Coaster can more effectively penetrate this distribution segment.

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 them, 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

<u>Exposure and Challenge:</u>

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.

<u>Exposure Mitigation:</u>

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:

<u>Exposure and Challenge:</u>

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.

<u>Exposure Mitigation:</u>

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:

Periodically Asia furniture manufactures 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. Recently, Coaster is working with selected factories on longer-term production planning; which enables factories to smooth the flow of their productions.

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

Coater 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

Coaster U.S. customer base is relatively diversified, during the reporting period of 2016 to 2017, there was not a single customer that accounted for more than 10% of the total annual net sales of Coaster.

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	2016				2017			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Bedroom	0	0	976,947	4,123,827	0	0	969,458	4,142,699
Living Room	0	0	606,328	3,245,069	0	0	611,391	3,237,509
Dining Room	0	0	606,349	2,167,012	0	0	521,785	1,912,985
Accents Group	0	0	511,678	1,398,163	0	0	476,061	1,307,047
Home Office	0	0	203,262	721,974	0	0	2335,650	808,576
Recreation Room	0	0	95,208	267,273	0	0	146,188	364,607
Office Furniture	0	0	400	558	0	0	25	55
Others	0	0	141,450	188,337	0	0	110,839	55,890
Subtotal	0	0	3,141,620	12,112,213	0	0	3,071,395	11,929,368

Variance Analysis：

During the reporting period of 2016 to 2017, 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

Year		2016	2017	April 30, 2018
Number of Employees	Managers	109	92	91
	Direct employees	382	496	467
	Common employees	379	244	249
	Total	870	832	807
Average Age (years)		38.96	41.68	41.26
Average Years of Service (years)		5.82	6.77	6.77
Education	Master and Ph.D.	20	20	20
	College	340	354	335
	High School	510	458	452

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 (2015/1/1~2018/4/30)

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	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. 2. The rights stipulated is non-exclusive and cannot be transferred to a third party. 3. Coaster should pay consulting services fees and customized coding fees under the contract.	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 (Seventh Amendment from 2017/ 11/1 to 2019/4/30)	Credit Agreement, including the Credit Line, Revolving Line and other terms.	Guaranteed with the Inventory, facility, Account Receivable and other Assets of COA.

Transaction	Counter Party	Period	Major Contents	Covenants
Collection Factoring and Security Agreement	BB&T Factors Corporation	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	2017/3/1-2018/2/28	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 2016/7/1~2017/6/30	New Jersey Branch Lease Agreement	None
Leasing Agreement	Majestic South Fulton Building 1, LLC & NM Majestic Holdings, LLC	2014/9/1-2019/8/31	Atlanta Branch Lease Agreement	None
Leasing Agreement	Prologis Targeted U.S. Logistics Fund, LP	2013/2/1-2018/8/31	Chicago Branch Lease Agreement	None
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	HAINING ORI FURNITURE CO., LTD	Effective from 2015/02/09-2016/02/09 (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

Item / Year		2013 (Pro forma)	2014 (Pro forma)	2015	2016	2017	2018 Q1
		Financial Information in Recent 5 years					
Current Assets		3,146,411	4,488,967	4,716,618	4,366,890	4,971,743	4,287,382
Property, Plant and Equipment		114,538	130,442	148,684	126,859	106,634	98,412
Intangible Assets		280	249	24,813	41,797	35,509	32,803
Other Assets		329,807	374,909	410,143	410,980	316,971	363,508
Total Assets		3,591,036	4,994,567	5,300,258	4,946,526	5,430,857	4,782,105
Current Liabilities	Before Distribution	1,594,560	2,588,747	2,539,928	1,554,689	2,557,090	2,059,830
	After Distribution	1,594,560	2,588,747	2,539,928	1,860,912	(Note3)	(Note3)
Noncurrent Liabilities		91,180	55,487	110,401	116,952	137,045	134,310
Total Liabilities	Before Distribution	1,685,740	2,644,234	2,650,329	1,671,641	2,694,135	2,194,140
	After Distribution	1,685,740	2,644,234	2,650,329	1,977,864	(Note 3)	(Note 3)
Equity Attributable to Shareholders of the Parent		1,905,407	2,350,321	2,649,929	3,274,885	2,736,722	2,587,965
Capital Stock		605,292	605,292	665,557	765,557	765,557	765,557
Prepayment of capital		0	160,265	0	0	0	0
Capital Surplus		515,181	1,399,506	1,532,819	1,777,791	1,786,070	1,787,169
Retained Earnings	Before Distribution	884,108	163,954	338,240	639,541	359,636	257,785
	After Distribution	884,108	163,954	338,240	333,318	(Note 3)	(Note 3)
Others		(99,174)	21,304	113,313	91,996	(174,541)	(221,331)
Treasury stocks		0	0	0	0	0	(1,215)
Noncontrolling interests		(111)	12	0	0	0	0
Total Equity	Before Distribution	1,905,296	2,350,333	2,649,929	3,274,885	2,736,722	2,587,965
	After Distribution	1,905,296	2,350,333	2,649,929	2,968,662	(Note 3)	(Note 3)

Note 1：The financial information from 2013 ~ 2017 is derived from audited consolidated financial statements.

Note 2：The financial information for the year to date March 31, 2018 is derived from reviewed consolidated financial statements.

Note3：The 2017 profit distribution proposal was proposed by the Company's Board, and will be effective upon the approval of the 2018 Annual General Meeting.

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

NT$’ 000

Item \ Year	Financial Information in Recent 5 years					2018 Q1
	2013 （Pro forma）	2014 （Pro forma）	2015	2016	2017	
Operating revenues	10,511,756	10,761,683	11,655,099	12,200,847	11,913,042	3,009,557
Gross profit	2,895,581	3,125,147	3,405,279	3,771,925	3,562,475	653,445
Operating profit	302,747	283,078	329,315	534,227	291,455	(134,789)
Non-operating income and expenses	(17,957)	(27,251)	(37,565)	(35,902)	(63,563)	(16,164)
Profit before income tax	284,790	255,827	291,750	498,325	227,892	(150,953)
Profit for the year	173,814	163,834	177,584	348,815	28,531	(101,851)
Other comprehensive income (loss)	50,581	120,938	88,730	(22,351)	(268,750)	(46,790)
Total comprehensive income (loss)	224,395	284,772	266,314	326,464	(240,219)	(148,641)
Net income attributable to owner of the Company	173,758	163,716	177,585	348,815	28,531	(101,851)
Net income (loss) attributable to non-controlling interests	56	118	(1)	0	0	0
Total comprehensive income attributable to owner of the Company	224,339	284,649	266,315	326,464	(240,219)	(148,641)
Total comprehensive income (loss) attributable to non-controlling interest	56	123	(1)	0	0	0
EPS (Note3)	8.70	8.16	2.67	5.03	0.37	(1.33)
Retrospective Adjustment to EPS (NT$)	2.90 (Note3)	2.72 (Note3)		-	-	-

Note 1：The financial information from 2013 ~ 2017 is derived from audited consolidated financial statements.

Note 2：The financial information for the year to date March 31, 2018 is derived from reviewed consolidated financial statements.

Note3：Using the sum of retroactively adjusted outstanding common stocks to calculate, the EPS from 2013 to 2014 were NTD 2.90 and NTD 2.72.

1.2 Names and Opinions of Independent Auditors in Recent Five Years

1.2.1. Opinions of Independent Auditors in Recent Five Years

Year	Name of CPA	Auditing Firm	Auditing Opinion	Note
2013	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	Pro forma
2014	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	Pro forma
2015	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-
2016	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-
2017	Audrey Tseng, Andy Chang	PwC	Unqualified opinion	-

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

2. Financial Ratio Analysis -- IFRS

2.1 Financial Ratio Analysis (Consolidated)

Item / Year		Financial Ratio Analysis for Recent 5 years					
		2013 (Note1)	2014 (Note1)	2015	2016	2017	2018 Q1
Financial structure (%)	Ratio of liabilities to assets	46.94	52.94	50.00	33.79	49.61	45.88
	Ratio of long-term capital to property, plant and equipment	1,743.07	1,844.36	1,856.51	2,673.71	2,694.98	2,766.20
Liquidity analysis (%)	Current ratio	197.32	173.40	185.70	280.89	194.43	208.14
	Quick ratio	43.06	33.70	38.34	92.56	46.17	56.43
	Interest coverage ratio (times)	2,906.92	2,035.00	1,568.00	3,181.41	1,096.34	(1,424.62)
Operating ability	Receivables turnover (time) (Note2)	20.66	16.83	15.21	15.06	14.32	15.01
	Average collection period (days) (Note2)	17.66	21.68	23.99	24.23	25.48	24.31
	Inventory turnover (times)	2.91	2.60	2.31	2.61	2.57	2.74
	Payables turnover (times)	8.75	8.36	10.86	12.85	12.98	17.89
	Average sales days (days)	125.42	140.38	158.00	139.84	142.02	133.21
	Property, plant and equipment turnover (times)	111.57	87.86	83.51	88.56	102.04	117.42
	Total assets turnover (times)	2.76	2.51	2.26	2.38	2.30	2.36
Profitability analysis	Return on total assets（%）	4.72	4.01	3.68	7.03	0.61	(1.47)
	Return on shareholders' equity（%）	9.19	7.70	7.10	11.77	0.95	(15.30)
	Net Income Ratio（%）	1.65	1.52	1.52	2.86	0.24	(3.38)
	Basic EPS (NT$) (Note 5)	8.70	8.16	2.67	5.03	0.37	(1.33)
	Retrospective Adjustment to EPS (NT$) (Note 5)	2.90	2.72	-	-	-	-
Cash flow	Cash Flow Ratio（%）	56.08	Note3	Note3	82.05	Note 3	23.07
	Cash Flow Equivalent Ratio（%）	Note4	Note4	Note4	35.78	0.51	Note 3
	Cash Reinvestment Ratio（%）	27.52	Note3	Note3	30.71	Note 3	14.44

Item \ Year		Financial Ratio Analysis for Recent 5 years					
		2013 (Note1)	2014 (Note1)	2015	2016	2017	2018 Q1
Leverage	Operating Leverage	8.31	9.14	9.62	6.34	10.97	(4.13)
	Financial Leverage	1.03	1.05	1.06	1.03	1.09	0.93

Analysis of variation over 20% in recent 2 years:

1. Decrease of Current ratio, Quick ratio and Increase on Ratio of liabilities to assets: Mainly because the activity of product mix adjustment caused an increase on inventory level, led to an increase of short-term bank loans.
2. Decrease of Interest coverage ratio (times)：Mainly because the activity of product mix adjustment caused an increase on inventory level, led to an increase of short-term bank loans and interest expenses, added an increase on warehouse cost, labor cost, and additional demurrage cost of containers, caused operating income decreased.
3. Decrease of Return on total assets, Return on shareholders' equity and EPS: Mainly because of the decrease of net profit, reasons including : a) US Tax reform led to a recognition of one-time foreign subsidiaries income tax and a revalued deferred tax assets using the new (lower) tax rate reflect on the increase of the income tax of 2017., b) the activity of product mix adjustment caused an increase on warehouse cost, labor cost, and additional demurrage cost of containers

Note1：The data for 2012 ~ 2014 are based on proforma consolidated financial statements audited by CPAs.

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 2012 ~ 2015 and 2016 Q2 are NTD 411,840 thousand, 306,948 thousand, 240,839 thousand, 265,989 thousand and 220,905 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：Using the sum of retroactively adjusted outstanding common stocks to calculate, the EPS from 2012 to 2014 were NTD 1.60, NTD 2.90 and NTD 2.72.

Note6：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)

Note7：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.

Note8：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.

Note9：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.

Note10：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 2016 Financial Statement

審計委員會審查報告書
Audit Committee's Review Report

董事會造具本公司 2017 年度營業報告書、合併財務報表及盈餘分派議案，其中合併財務報表業經資誠聯合會計師事務所曾惠瑾會計師及張志安會計師查核完竣，並出具查核報告。上述營業報告書、合併財務報表及盈餘分派議案，經本審計委員會查核，認為尚無不合，爰依證券交易法及公司法規定報告，敬請　鑒核。

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements and proposal for earnings distribution. The CPA firm of PricewaterhouseCoopers, Taiwan, was retained to audit COASTER's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements and proposal for earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

客思達股份有限公司

COASTER INTERNATIONAL CO., LTD.

審計委員會召集人：

Chairman of the Audit Committee:

袁惠兒

袁惠兒

日期：西　元　2018　年　3　月　23　日

Date: March 23, 2018

4. The financial statement for the most recent year:

Please refer to page 122.

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	2016	2017	Difference	
			Amount	%
Current assets	4,366,890	4,971,743	604,853	13.85
Property, plant and equipment	126,859	106,634	(20,225)	(15.94)
Intangible assets	41,797	35,509	(6,288)	(15.04)
Other assets	410,980	316,971	(94,009)	(22.87)
Total assets	4,946,526	5,430,857	484,331	9.79
Current liabilities	1,554,689	2,557,090	1,002,401	64.48
Non-current liabilities	116,952	137,045	20,093	17.18
Total Liabilities	1,671,641	2,694,135	1,022,494	61.17
Ordinary share	765,557	765,557	0	0.00
Capital surplus	1,777,791	1,786,070	8,279	0.47
Retained earnings	639,541	359,636	(279,905)	(43.77)
Other equity interest	91,996	(174,541)	(266,537)	(289.73)
Total equity	3,274,885	2,736,722	(538,163)	(16.43)

Explanation for ratio increase / decrease changes achieving over 20%：

1. Decrease of Other Assets：Mainly because of a revalued deferred tax assets incurred by the US Tax reform.
2. Increase of Current Liabilities / Total Liabilities：Mainly because the activity of product mix adjustment caused an increase on inventory level, led to an increase of short-term bank loans.
3. Decrease of Retained Earnings： Mainly because of the distribution of cash dividend of 2016 and the decrease of 2017 Net Income.
4. Decrease of Other Equity Interest : Mainly due to the exchange difference caused by consolidation of foreign subsidiaries financial statement.

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	2016	2017	Amount of Increase or Decrease	Ratio of Change
Operating revenues	12,200,847	11,913,042	(287,805)	(2.36)
Gross profit	3,771,925	3,562,475	(209,450)	(5.55)
Operating expenses	3,237,698	3,271,020	33,322	1.03
Operating income	534,227	291,455	(247,772)	(45.44)
Non-operating income and expenses	(35,902)	(63,563)	(27,661)	77.05
Profit before income tax	498,325	227,892	(270,433)	(54.27)
Income tax expenses	149,510	199,361	49,851	33.34
Net profit for the year	348,815	28,531	(320,284)	(91.82)
Other comprehensive income (loss)	(22,351)	(268,750)	(246,399)	1102.41
Comprehensive income (loss)	326,464	(240,219)	(566,683)	(173.58)

Explanation of ratio increase/decrease changes achieving over 20% or amount of increase/decrease changes above NTD 10 Million:

1. Decrease of Operating income：
   The activity of product mix adjustment caused an increase on warehouse cost, labor cost, and additional demurrage cost of containers., added the USD depreciated led to a smaller operating revenue of 2017 when converted to NTD.
2. Increase of Non-operating expenses：Mainly because the anti-dump expenditure and foreign exchange losses of 2017.
3. Increase of Income tax expenses：Mainly because the US Tax reform led to a recognition of one-time foreign subsidiaries income tax and a revalued deferred tax assets using the new (lower) tax rate reflect on the increase of the income tax of 2017.
4. Increase of Other Comprehensive Loss：Mainly due to the USD depreciated, led to an obvious decrease on the Exchange differences on translation of foreign financial statements.

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	2016	2017	Amount of Increase or Decrease	Ratio of Change
Cash flows from operating activities	1,275,571	(751,495)	(2,027,066)	(158.91)
Cash flows from investing activities	(39,877)	(19,425)	20,452	(51.29)
Cash flows from financing activities	(769,799)	772,740	1,542,539	(200.38)
Analysis of changes in cash flow： (1) Cash outflows from operating activities: Mainly due to decreased net income, and increased on the inventory of new product. (2) Cash inflows from financing activities: Due to the increase of short-term bank loans.				

4.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

3.3 Cash Flow Analysis for the Coming Year：Not applicable.

4. Major Capital Expenditure Items

In 2017 the Company spent NT$25.398 million for the procurement of facilities, including re-packaging machine, fork lifts and other equipment replacement, and to upgrade fire extinguishing system and remodel showroom. 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 2017	Description
Coaster International Co. Ltd.	COA, Inc.	(70,151)	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., added the US Tax reform led to a recognition of one-time foreign subsidiaries income tax and a revalued deferred tax assets using the new (lower) tax rate reflect on the increase of the income tax of 2017.
Coaster International Co. Ltd.	COA Asia, Inc.	129,382	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.	38,271	CFS Global, Inc. is an investment holding company, its subsidiary, CFS(USA), have been merged into COA, Inc. on July 2017.
COA, Inc.	Deliverall Logistics, Inc.	243 (Note 1)	For providing transportation service to Coaster group.
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	5,267 (Note 2)	For providing purchasing, logistics management and QC service to Coaster group.
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	(2,395) (Note 2)	Coaster Furniture (Asia) Service Holdings Ltd. is an investment holding company.
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	15,736 (Note 2)	For providing purchasing, logistics management and QC service to Coaster group.
COA Asia, Inc.	Ye Hey Holding Co. Ltd.	(1,955) (Note 2)	Ye Hey Holding Co. Ltd. is an investment holding company.
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture Service (KunShan) Advisory Company	(254) (Note 3)	Purchasing service For providing purchasing, logistics management and QC service to Coaster group.
Ye Hey Holding Co. Ltd.	Ye Hey (ShenZhen) Logistics Service Company	312 (Note 4)	For providing purchasing, logistics management and QC service 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 2017 and 2016, Coaster's interest expenses were NT$ 22,873 thousand and NT$ 16,172 thousand, account for 0.19% and 0.13% 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. For the small portion of account receivable denominated in Canadian Dollars, the company has adept derivatives to reduce the impact of exchange rate fluctuation. 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.

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. Therefore, changes in technology and industry are not expected to pose significant influence on the Company’s finance and business.

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

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 78 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 Articles of Incorporation in accordance with the provisions of the Taiwan Stock Exchange's 'Reference Model for Important Matters of Shareholders'

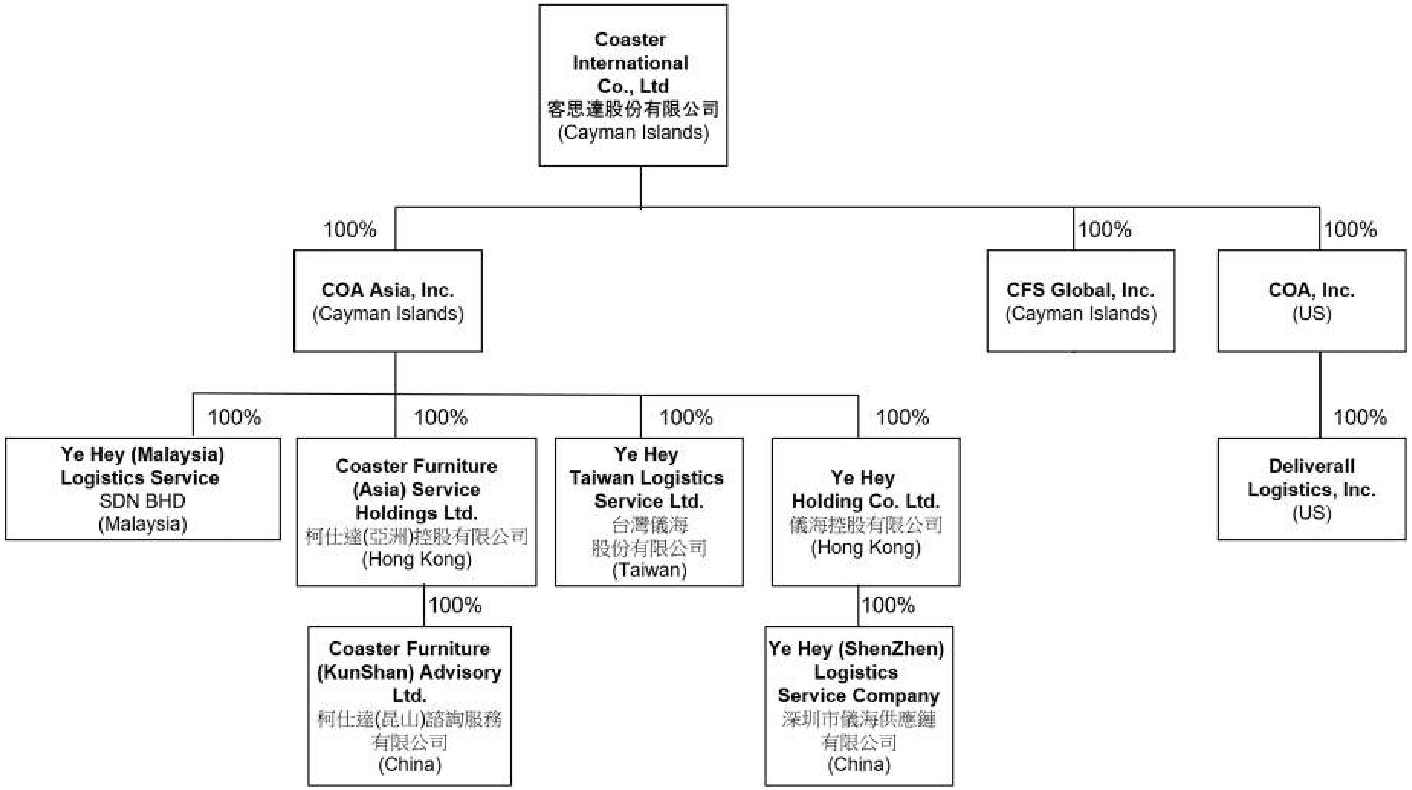
Rights and Interests Protection’, there are still many differences in the legal requirements of the two places with respect to company operations. Investors cannot view investing in a Cayman-registered company from the viewpoint of the legal rights applicable to investors investing a Taiwan company, 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.

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：

2017/12/31

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 10th, 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. Through COA, Inc.'s 8 U.S. branches and DC warehouses, Coaster Group supports the inventory needs of over 8,000 U.S. Brick & Mortar furniture retailers (that accounts for about 25% of the U.S. registered furniture retailers). Coaster Group's U.S. operation is supported by its Asian offices that provide logistics and quality control functions in China, Taiwan, Malaysia and Vietnam.

1.5 Operation Results of Each Subsidiary and Affiliate

NT$'000, unless stated otherwise; As of 2017/12/31

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue of 2016	Operating gain (loss) of 2016	Gain/loss of the current year (After tax)	EPS (NT$)
COA, Inc.	928,621	5,082,131	2,779,672	2,302,459	11,666,918	175,541	(31,714)	(0.4)
COA Asia, Inc.	296	297,656	15,520	282,136	252,827	110,772	129,382	129,382.08
CFS Global, Inc.	1,482	2,296	0	2,296	0	(208)	(166)	(1.66)
Deliverall Logistics, Inc.	23,712	38,848	7,470	31,378	83,656	2,437	243	2,433.65
Ye Hey (Malaysia) Logistics Service SDN BHD	2,961	20,967	4,266	16,701	26,964	7,848	5,267	16.22

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue of 2016	Operating gain (loss) of 2016	Gain/loss of the current year (After tax)	EPS (NT$)
Coaster Furniture (Asia) Service Holdings Ltd.	571	21,167	11,593	9,575	6,932	(2,211)	(2,395)	(15.97)
Ye Hey Taiwan Logistics Service Ltd.	3,000	84,553	49,575	34,978	62,276	24,666	15,736	52.45
Ye Hey Holding Co. Ltd.	10,374	10,889	8,103	2,786	0	(2,450)	(1,955)	5.58
Coaster Furniture Service (KunShan) Advisory Company	17,784	19,560	2,181	17,379	17,746	(93)	(254)	Not applicable
Ye Hey (ShenZhen) Logistics Service Company	10,374	16,111	5,239	10,872	43,419	861	312	Not applicable

1.6 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company : Please refer to page 122 on this Annual Report.

1.7 Affiliation Report: Please refer to page122 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

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**第40D條**；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 **Article 40D** of the AOA.　According to the Cayman lawyer, however, the

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
		restrictions agreed between the Company and the employee is a contractual matter between themselves.
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： 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 extemporary motion at the meeting: (1) 選任或解任董事、監察人； Election or discharge of director(s) and supervisor(s); (2) 變更章程； Amendment to the memorandum and articles of association; (3) 公司解散、合併、股份轉換、分割； Dissolution, merger, share transfer and split-up of the company; (4) 締結、變更或終止關於出租全部營業，委	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。 The Companies Law does not have specific regulations on extemporary motion. According to the Cayman laywer, with regard to extemporary motion, a notice of shareholders'	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<u>**第50條**</u>。 As the Companies Law does not have specific regulations on extemporary motion, the requirement under Item 5 is provided in <u>**Article 50**</u> 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。 According to the Cayman laywer, 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

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
託經營或與或他人經常共同經營之契約； 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; (5) 讓與全部或主要部分之營業或財產； Assignment of all or major business or assets; (6) 受讓他人全部營業或財產，對公司營運有重大影響者； Assumption of all business or assets of a third party that may have a significant impact on the operation of the company; (7) 私募發行具股權性質之有價證券； Issue of securities of a nature similar to shares in private placement; (8) 董事從事競業禁止行為之許可； Approval of performance of activities	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 sectionshould cover only issues of an informal or unsignificant 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	the section of "any other proposals", that sectionshould cover only issues of an informal or unsignificant 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.

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
by director in violation of non-compete restrictions; (9) 以發行新股方式，分派股息及紅利之全部或一部分； Allocation of all or part of share dividends and bonuses through issue of new shares; (10) 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，以發行新股方式，分配與原股東者。 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 to original shareholders through issue of shares.	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.	
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	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	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**第68條**；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

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
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 preson, but 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.	requirement under Item 3.	於公司章程**第68條**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)。 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 **Article 68** 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 behalf. Thus, with reference to the Cayman laywer's opinion, the second part of the requirement under Item 3 is provided in **Article 68** of th 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'

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
		meeting, provided that the above authorization shall not work as appointment of agent under the listing regulations).
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.	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.	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**第70條**。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 **Article 70** 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 requirements under Item 5 may not be

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		enforceable.
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。 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 deemd to have authorized his or her proxy to vote at the meeting.	開曼公司法對委託書或委託書之募集無特別規定。 The Companies Law does not have any specific regulations on proxy or solicitation of proxies.	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**<u>第 62B 條</u>**。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)。 As the Companies Law does not have any specific regulations on proxy or solicitation of proxies, the requirement under Item 4 is provided in **<u>Article 62B</u>** 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.
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	關於1.、4.及5. (分割部分)，開曼公司法無特別要求或禁止之規定。	(一) 開曼公司法對於第 1 款、第 4 款及第 5 款分割部分並無特別要求或禁止之規定；故將第 1 款、第 4 款及第 5 款分割部分，

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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： 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 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: 1. 公司締結、變更或終止關於出租全部營業，委託經營或與或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	With respect to Items 1, 4 and 5 (Split-up), 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。 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 special resolution. 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	分別規定於公司章程**<u>第 32(a)(b)(c)(d)(g)條</u>**，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))。 As the Companies Law does not contain any specific requirement or prohibition on the provision on split-up in Items 1, 4 and 5, the requirements on split-up under Items 1, 4 and 5 are separately provided in **<u>Article 32(a)(b)(c)(d)(g)</u>** 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). (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**<u>第 157 條</u>**，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)。 As provided in §24 of the Companies Law, any and all changes or amendments to the memorandum and

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讓他人全部營業或財產而對公司營運有重大影響者 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; 2. 變更章程 Amendment to the memorandum and articles of association; 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	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。 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	articles of association shall be approved by special resolution. So the requirement under Item 2 is provided in **<u>Article 157</u>** of the AOA, which states the Company may amend its memorandum and/or AOA at any time by special resolution. The requirement on attendance of sharenolders 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. (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**<u>第 18 條</u>**，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)。 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

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
is subject to approval of a preferred shareholders' meeting; 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; and 5. 解散、合併或分割之決議 Resolution on dissolution, merger or split-up.	ordinary resolution will suffice. 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。 In addition, with respect to Item 5 (Merger), according to the Cayman laywer, §233(6) of the Companies Law provides that a special resolution is required, unless otherwise provided in the memorandum and articles of association.	resolution. So the requirement under Item 3 is provided in **<u>Article 18</u>** 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 sharenolders 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. (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而自願解散時，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**<u>第 33 條</u>**，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

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		Resolution Type A)或「B 型特別決議」(Supermajority Resolution Type B)(定義見上))為之(**第 33(a)條**)，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(**第 33(b)條**)。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)。 With respect the 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 requiring more approval votes provided in the memorandum and articles of association. So the requirement on dissolution under Item 5 is provided in **Article 33** of the AOA, which states if the Company is sublect to voluntary dissolution due to inability to repay debts that are due, the dissolution shall be approved by resolution requiring more approval votes at

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
		shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B, as defined above (**Article 33(a)**). If the Company is subject to voluntary dissolution for other reason, the dissolution shall be approved by special resolution (**Article 33(b)**). The requirement on attendance of sharenolders 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. (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**第 31 (c)條**。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)。 With respect the the provision on merger under Item 5, according to the Cayman laywer, as provided under §233(6) of the Companies Law, merger shall be subject to approval by special resolution or handled in

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
		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 **Article 31(C)** of the AOA. The requirement on attendance of sharenolders 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.
1. 繼續一年以上持有公司已發行股份總數百分之三以上之股東，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 3% or more of the Company's total issued shares for more	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. 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	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**第123條**，即得以具備管轄權之法院(包括臺灣台北地方法院，如適用)為管轄法院；另開曼律師表

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
than one year 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. 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 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.	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)。 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 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	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3%以上股東請求對其他董事提起訴訟之義務。 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 TSEC Tai-Zheng-Shang-Zi No. 1011702189 Letter of July 27, 2012, providing that supervisors shall be replaced by independent directors of the audit committee, the requirement on replacement of supervisors by audit cominttee 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 laywer, 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 3% of the shares.

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
	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.) 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。 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	
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	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	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**第97B條**；惟開曼律師表示，儘管公司章程規定董

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
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。 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 treate the gains from the act as the gains of the company. 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。 If directors have, in the course of conducting the business operations, violated any provision of the applicable	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。 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. 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	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 **Article 97B** of the AOA. According to the Cayman laywer, 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.

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
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. 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 as the directors of the company.	律觀點，該第三人仍無法直接對董事主張。 According to the Cayman law, if a director causes damage to a third party during performace 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 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 Interest's 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, 2017 AND 2016

(Stock code: 2936)

Address: 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands

Telephone: 886-4-2249-0777

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, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations 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

Please refer to Note 4(10) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory, and Note 6(4) for details of allowance for inventory valuation losses. As of December 31, 2017, the balance of inventory amounted to NT$ 3,690,749 thousand, and constituted 68% of consolidated total assets.

The Group is primarily engaged in sales, import and wholesale of furniture, the Group purchased merchandise from Asian suppliers and sold to American small and medium local retail stores, online shops and large chain stores. The Group has many warehouses in America and acts as a logistics center for the sellers to ensure instant and sufficient merchandise supply, therefore the balance of inventory represented a major 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 was 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 involved significant judgment and estimates that involved high degree of uncertainties, and considering that the inventory and allowance for inventory valuation losses were material to the financial statements, 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 realizable 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 are 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.

Sales returns and discounts

Description

Please refer to Note 4(19) for accounting policies on provision, Note 5(2) for uncertainty of accounting estimation and assumptions for sales returns and discounts, and Note 6(8) for details and changes of provision for sales returns and discounts.

Due to changes in technology development and consumption behavior, and the growth of ecommerce in recent years, the Group invested in and actively expanded new distribution channels, and sales revenue arising from electronic commerce now represents a major part in total operating revenue. In line with industry practice, ecommerce customers would require quantity discounts. The Group calculated sales allowance based on the discount rate on the contract, estimated provisions based on expected sales and periodically adjusted sales allowance based on actual sales.

The aforementioned allowance estimates involved high degree of uncertainty, as the terms, items and rates varied with ecommerce firms, and the calculation was subjected to management's judgment, including expected percentage of allowance and expected sales. Thus, we consider the discounts recognition a key audit matter.

How our audit addressed the matter

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

A. We obtained an understanding of the internal control process of sales allowance, including the management of sales allowance agreements and the calculation of sales allowance which was reviewed by the responsible management.

B. We examined the sales allowance calculation details, randomly checked the allowance rate for individual customers against individual agreements, to ensure that the sales amount used in the calculation agreed with the sales report and to check the accuracy of the calculation.

C. We examined subsequent payments for sales allowance, and randomly assessed the reasonableness of the estimated sales allowance amount against actual payments.

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 Preparations 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.

Audrey Tseng　　　　　　　　Andy Chang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 23, 2018

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, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
ASSETS	Notes	December 31, 2017	December 31, 2017	December 31, 2016
Current assets				
Cash and cash equivalents	6(1)	$ 11,757	$ 348,475	$ 616,226
Accounts receivable, net	6(2)	18,148	537,906	511,159
Other receivables	6(3)	9,494	281,400	279,188
Current tax assets		436	12,917	32,383
Inventories, net	6(4)	124,519	3,690,749	2,817,635
Prepayments		3,384	100,296	110,299
Total current assets		167,738	4,971,743	4,366,890
Non-current assets				
Property, plant and equipment, net	6(5)	3,598	106,634	126,859
Intangible assets		1,198	35,509	41,797
Deferred tax assets	6(19)	9,239	273,853	362,920
Refundable deposits		1,454	43,118	48,060
Total non-current assets		15,489	459,114	579,636
TOTAL ASSETS		$ 183,227	$ 5,430,857	$ 4,946,526

(Continued)

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
LIABILITIES AND EQUITY	Notes	December 31, 2017	December 31, 2017	December 31, 2016
Current liabilities				
Short-term borrowings	6(6)	$ 46,869	$ 1,389,196	$ 343,442
Notes payable		253	7,496	2,797
Accounts payable		20,414	605,068	671,246
Other payables	6(7)	11,136	330,078	327,746
Other payables-related parties	7	59	1,749	1,792
Current tax liabilities		652	19,336	9,385
Provisions-current	6(8)	5,110	151,465	147,547
Other current liabilities		1,778	52,702	50,734
Total current liabilities		86,271	2,557,090	1,554,689
Non-current liabilities				
Deferred tax liabilities	6(19)	1	37	325
Net defined benefit liability, non-current	6(9)	984	29,149	26,160
Other non-current liabilities-others		3,639	107,859	90,467
Total non-current liabilities		4,624	137,045	116,952
Total Liabilities		90,895	2,694,135	1,671,641
Equity				
Ordinary shares	6(11)	25,375	765,557	765,557
Capital surplus		55,983	1,786,070	1,777,791
Retained earnings	6(12)			
Legal reserve		1,711	52,640	17,758
Unappropriated retained earnings		9,280	306,996	621,783
Other equity interest		(17)	(174,541)	91,996
Total equity		92,332	2,736,722	3,274,885
Significant contingent liabilities and unrecognised contract commitments	9			
TOTAL LIABILITIES AND EQUITY		$ 183,227	$ 5,430,857	$ 4,946,526

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	US Dollars 2017	New Taiwan Dollars 2017	New Taiwan Dollars 2016
Operating revenue	6(13)	$ 391,856	$ 11,913,042	$ 12,200,847
Operating cost	6(4)(9)(17)(18) and 7	(274,675)	(8,350,567)	(8,428,922)
Gross profit		117,181	3,562,475	3,771,925
Operating expenses	6(9)(17)(18) and 7			
Selling expenses		(73,862)	(2,245,505)	(2,201,498)
General and administrative expenses		(33,732)	(1,025,515)	(1,036,200)
Total operating expenses		(107,594)	(3,271,020)	(3,237,698)
Operating profit		9,587	291,455	534,227
Non-operating income and expenses				
Other income	6(14)	126	3,818	4,201
Other gains and losses	6(15)	(738)	(22,429)	1,445
Finance cost	6(16)	(1,479)	(44,952)	(41,548)
Total non-operating income and expenses		(2,091)	(63,563)	(35,902)
Profit before income tax		7,496	227,892	498,325
Income tax expense	6(19)	(6,558)	(199,361)	(149,510)
Profit for the year		$ 938	$ 28,531	$ 348,815
Other comprehensive income (loss)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Losses on remeasurements of defined benefit plans	6(9)	($ 88)	($ 2,666)	($ 1,246)
Exchange difference on translation of foreign financial statements		-	(271,924)	(18,668)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	15	453	212
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements		(182)	5,387	(2,649)
Other comprehensive (loss) income, net for tax		($ 255)	($ 268,750)	($ 22,351)
Total comprehensive income		$ 683	($ 240,219)	$ 326,464
Profit (loss) attributable to:				
Owners of parent		$ 938	$ 28,531	$ 348,815
Comprehensive profit (loss) attributable to:				
Owners of the parent		$ 683	($ 240,219)	$ 326,464
Basic earnings per share	6(20)	$ 0.00	$ 0.37	$ 5.03
Diluted earnings per share	6(20)	$ 0.00	$ 0.35	$ 4.73

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHAGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent						
			Capital Surplus		Retained earnings			
	Notes	Ordinary shares	Issued at a premium	Employee share options	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity
2016								
Balance at January 1, 2016		$ 665,557	$ 1,531,006	$ 1,813	$ -	$ 338,240	$ 113,313	$ 2,649,929
Appropriation and distribution of retained earnings:	6(12)							
Legal reserve appropriated		-	-	-	17,758	(17,758)	-	-
Cash dividends of ordinary share		-	-	-	-	(46,480)	-	(46,480)
Issuance of shares	6(11)	100,000	233,500	-	-	-	-	333,500
Compensation cost of employee stock options	6(10)	-	-	11,454	-	-	-	11,454
Compensation cost of employee stock options for capital increase	6(10)	-	18	-	-	-	-	18
Profit for the year		-	-	-	-	348,815	-	348,815
Other comprehensive loss for the year		-	-	-	-	(1,034)	(21,317)	(22,351)
Balance at December 31, 2016		$ 765,557	$ 1,764,524	$ 13,267	$ 17,758	$ 621,783	$ 91,996	$ 3,274,885
2017								
Balance at January 1, 2017		$ 765,557	$ 1,764,524	$ 13,267	$ 17,758	$ 621,783	$ 91,996	$ 3,274,885
Appropriation and distribution of retained earnings:	6(12)							
Legal reserve appropriated		-	-	-	34,882	(34,882)	-	-
Cash dividends of ordinary share		-	-	-	-	(306,223)	-	(306,223)
Compensation cost of employee stock options	6(10)	-	-	8,279	-	-	-	8,279
Profit for the year		-	-	-	-	28,531	-	28,531
Other comprehensive loss for the year		-	-	-	-	(2,213)	(266,537)	(268,750)
Balance at December 31, 2017		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ 2,736,722

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before income tax for the year		$ 227,892	$ 498,325
Adjustments to reconcile consolidated profit before tax to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Provision of bad debt expense	6(2)	(291)	16,020
Depreciation	6(5)(17)	36,236	41,075
Amortization	6(17)	2,933	993
Gains on disposals of property, plant and equipment	6(15)	(801)	(1,416)
Interest expense	6(16)	22,873	16,172
Interest income	6(14)	(844)	(732)
Compensation cost of employee stock options	6(10)	8,279	11,472
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		-	100
Accounts receivable		(26,456)	(16,272)
Other receivables		(2,212)	(11,012)
Prepayments		10,003	(7,516)
Inventories		(873,114)	822,353
Net changes in liabilities relating to operating activities			
Notes payable		4,699	(283)
Accounts payable		(66,178)	36,918
Other payables		2,332	54,888
Other payables-related parties		(43)	(5,405)
Current provisions		16,910	8,712
Other current liabilities		1,968	(6,378)
Net defined benefit liability		776	576
Other non-current liabilities-others		17,392	4,780
Cash generated from operations		(617,646)	1,463,370
Interest received		844	732
Interest paid		(22,873)	(16,172)
Income tax paid		(111,820)	(172,359)
Net cash flows (used in) provided by operating activities		(751,495)	1,275,571

(Continued)

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		$ 1,088	$ 1,695
Acquisition of property, plant and equipment	6(5)	(25,398)	(22,760)
Acquisition of intangible assets		(57)	(18,161)
Decrease (increase) in refundable deposits		4,942	(651)
Net cash used in investing activities		(19,425)	(39,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		2,097,710	-
Decrease in short-term borrowings		(1,018,747)	(1,056,819)
Cash dividends paid		(306,223)	(46,480)
Proceeds from issuance of shares		-	333,500
Net cash provided by (used in) financing activities		772,740	(769,799)
Effect of exchange rate changes on cash and cash equivalents		(288,238)	(15,283)
Net increase in cash and cash equivalents		(286,418)	450,612
Cash and cash equivalents at beginning of year		564,466	113,854
Cash and cash equivalents at end of year		$ 278,048	$ 564,466
Component of Cash and Cash Equivalents:			
Cash and cash equivalents on balance sheet	6(1)	$ 348,475	$ 616,226
Items defined as cash and cash equivalents under IAS No. 7	6(6)	(70,427)	(51,760)
Cash and cash equivalents at end of year		$ 278,048	$ 564,466

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

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

1. HISTORY AND ORGANIZATION

Coaster International Co., Ltd. (the "Company") was incorporated in 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 23, 2018.

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 as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortization'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

(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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11, ‘Construction contracts’, IAS 18, ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. There is no significant impact on January 1, 2018.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
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 16, ‘Leases’	January 1, 2019
IFRS 17, ‘Insurance contracts’	January 1, 2021
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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

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.

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 indorsed 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 recognized 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, 2017	Ownership (%) December 31, 2016	
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	
CFS Global Inc.	CFS (USA), Inc.	Trading of furniture	-	100	Note
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	

Note: Due to restructure, COA, Inc. acquired CFS (USA), Inc. on August 1, 2017.

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 Dollar. 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.

The Group classifies all non-compliant assets as no current assets.

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) Assets held mainly for 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.

The Group classifies all non-compliant liabilities as no current liabilities

(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 on the balance sheet.

(7) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(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	3~10 years
Leasehold improvements	4~9 years
Other equipment	3~9 years

(12) Leased assets / leases (lessee)

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.

(13) 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.

(14) 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 recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss should be reversed within the impairment amount recognised in prior years.

(15) 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.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(17) 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.

(18) 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.

(19) Provisions

Provisions including warranties and sales returns 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.

(20) 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. Remeasurement 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' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation 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.

(21) 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 recognized 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-market 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 recognized is based on the number of equity instruments that eventually vest.

(22) 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.

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.

(23) Share capital

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.

(24) Revenue recognition

A. Sales of goods

(a) The Group sells furniture and relative products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Group offers customers right of return for defective products. The Group estimates returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

B. Sales of services

The Group provides transportation and purchase of furniture services. Revenue from service is recognised after service is completed. If the outcome of a service contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are likely to be recoverable.

(25) 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

Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Company acts as a principal, the amount of received or receivable from customer is recognised as revenue on a gross basis. Where the Company acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Group shall recognise revenue on a gross basis:

A. The Group has primary responsibilities for the goods or services it provides;

B. The Group bears inventory risk;

C. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.

D. The Group bears credit risk of customers.

(2) Critical accounting estimates and assumptions

A. Estimation of sales returns and discounts

Provisions for returns are estimated based on historical experience and other known factors, and are classified as the reduction of sales revenue when the product sold in current period. The Group reviews the reasonableness of the estimate on a regular basis.

As of December 31, 2017, provisions for sales returns and discounts amounted to $89,768.

B. 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 on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2017, the carrying amount of inventories was $3,690,749.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and revolving funds	$ 1,704	$ 1,452
Checking accounts and demand deposits	346,771	614,774
Total	$ 348,475	$ 616,226

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

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

(2) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 563,755	$ 541,191
Less: allowance for bad debts	(25,849)	(30,032)
	$ 537,906	$ 511,159

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	December 31, 2016
Group 1	$ 6,821	$ 5,534
Group 2	37,075	13,050
Group 3	380,394	394,278
	$ 424,290	$ 412,862

Note:

Group 1: Customers whose transactions are through credit cards.

Group 2: Customers whose transactions are through normal credit control.

Group 3: Customers' accounts receivable have been included in accounts receivable insurance

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

	December 31, 2017	December 31, 2016
Up to 30 days	$ 108,027	$ 92,550
31 to 90 days	16,759	13,482
Over 91 days	14,679	22,297
	$ 139,465	$ 128,329

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted both $0.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 30,032	$ 30,032
Reversal for impairment	-	(291)	(291)
Write-offs during the period	-	(1,375)	(1,375)
Effects of foreign exchange	-	(2,517)	(2,517)
At December 31	$ -	$ 25,849	$ 25,849

	2016		
	Individual provision	Group provision	Total
At January 1	$ 3,924	$ 21,173	$ 25,097
Provision for impairment	-	16,020	16,020
Write-offs during the period	(3,857)	(6,957)	(10,814)
Effect of foreign exchange rate	(67)	(204)	(271)
At December 31	$ -	$ 30,032	$ 30,032

D. The abovementioned accounts receivable are pledged as collaterals for bank borrowings. Details are provided in Note 6(6).

(3) Other receivables

	December 31, 2017	December 31, 2016
Balance of accounts receivable factoring not due yet	$ 281,399	$ 277,523
Others	1	1,665
	$ 281,400	$ 279,188

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 derecognized the transferred accounts receivable and recognized outstanding balance as other accounts receivable. The related information is as follows:

December 31, 2017				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognized	Amount advanced	Outstanding balance
Branch Banking & Trust	$ 260,170	$ 260,170	$ -	$ -
General Electric Capital	21,229	21,229	-	-
	$ 281,399	$ 281,399	$ -	$ -

December 31, 2016				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognized	Amount advanced	Amounts aren’t due
Branch Banking & Trust	$ 248,393	$ 248,393	$ -	$ -
General Electric Capital	29,130	29,130	-	-
	$ 277,523	$ 277,523	$ -	$ -

B. The other receivables of the abovementioned accounts receivable factoring are pledged to banks except for factoring institutions. Details are provided in Note 6(6).

(4) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,3296,184	($ 90,697)	$ 2,305,487
Inventory in transit	1,385,262	-	1,385,262
Total	$ 3,781,446	($ 90,697)	$ 3,690,749

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,168,624	($ 98,679)	$ 2,069,945
Inventory in transit	747,690	-	747,690
Total	$ 2,916,314	($ 98,679)	$ 2,817,635

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

	Years ended December 31,	
	2017	2016
Cost of goods sold	$ 8,247,153	$ 8,370,710
Loss on decline in (Gain on reversal of) market value	470	(54,023)
Labor cost	102,944	112,235
	$ 8,350,567	$ 8,428,922

B. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as a result of disposal of obsolete and slow-moving inventories.

C. Inventories that are pledged as collateral for bank borrowings. Details are provided in Note 6(6).

(5) Property, plant and equipment

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2017							
Cost	$ 13,188	$200,433	$ 68,495	$ 242,026	$ 111,647	$ 101,993	$ 737,782
Accumulated depreciation	(1,252)	(161,109)	(53,849)	(211,721)	(83,173)	(99,819)	(610,923)
	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859
2017							
January 1	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859
Additions	-	8,991	2,883	373	12,582	569	25,398
Disposals	-	(191)	(96)	-	-	-	(287)
Depreciation charge	(242)	(13,958)	(6,014)	(7,555)	(7,228)	(1,239)	(36,236)
Net exchange	(286)	(3,222)	(728)	(2,150)	(2,559)	(155)	(9,100)
December 31	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
December 31, 2017							
Cost	$ 12,875	$182,494	$ 55,538	$ 222,293	$ 111,789	$ 93,882	$ 678,871
Accumulated depreciation	(1,467)	(151,550)	(44,847)	(201,320)	(80,520)	(92,533)	(572,237)
	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2016							
Cost	$ 14,306	$195,567	$ 77,098	$ 244,344	$ 112,778	$ 100,785	$ 744,878
Accumulated depreciation	(1,086)	(156,713)	(55,871)	(206,870)	(76,749)	(98,905)	(596,194)
	$ 13,220	$ 38,854	$ 21,227	$ 37,474	$ 36,029	$ 1,880	$ 148,684
2017							
January 1	$ 13,220	$ 38,854	$ 21,227	$ 37,474	$ 36,029	$ 1,880	$ 148,684
Additions	-	16,198	2,426	1,333	209	2,594	22,760
Disposals	-	(179)	(100)	-	-	-	(279)
Depreciation charge	(261)	(15,093)	(8,394)	(7,553)	(7,297)	(2,277)	(41,075)
Net exchange	(1,023)	(456)	(513)	(749)	(467)	(23)	(3,231)
December 31	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859
December 31, 2016							
Cost	$ 13,188	$200,433	$ 68,495	$ 242,026	$ 111,647	$ 101,993	$ 737,782
Accumulated depreciation	(1,252)	(161,109)	(53,849)	(211,721)	(83,173)	(99,819)	(610,923)
	$ 11,936	$ 39,324	$ 14,646	$ 30,305	$ 28,474	$ 2,174	$ 126,859

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 6(6).

(6) Short-term borrowings

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 1,318,769	2.87%~4.00%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts	70,427	-	None
	$ 1,389,196		

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 291,682	2.24%~3.25%	Accounts receivable, other receivables, inventories and property, plant and equipment
Bank overdraft accounts	51,760	-	None
	$ 343,442		

The subsidiary, COA Inc., has signed a credit granting contract of US$55,000,000 credit 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$55,000,000 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 every quarter.

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

(7) Other payables

	December 31, 2017	December 31, 2016
Salary and wages payable	$ 89,763	$ 87,934
Accrued expenses	65,436	76,745
Others	174,879	163,067
	$ 330,078	$ 327,746

(8) Provisions-current

	Warranty	Returns	Total
2017			
At January 1	$ 65,216	$ 82,331	$ 147,547
Additional provisions	45,449	162,906	208,355
Used during the period	(43,360)	(148,085)	(191,445)
Exchange differences	(5,608)	(7,384)	(12,992)
At December 31	$ 61,697	$ 89,768	$ 151,465

	Warranty	Returns	Total
2016			
At January 1	$ 57,390	$ 83,068	$ 140,458
Additional provisions	50,739	132,332	183,071
Used during the period	(42,276)	(132,083)	(174,359)
Exchange differences	(637)	(986)	(1,623)
At December 31	$ 65,216	$ 82,331	$ 147,547

A. Warranty

The Group provides warranties on products sold. Provision for warranty is estimated based on historical warranty data of products.

B. Returns

Provisions for returns are estimated based on historical experience and other known factors.

(9) Pensions

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

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 29,149	$ 26,160
Fair value of plan assets	-	-
Net defined benefit liability	$ 29,149	$ 26,160

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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
January 1, 2017	($ 26,160)	$ -	($ 26,160)
Interest expense	(323)	-	(323)
	(26,483)	-	(26,483)
Remeasurements:			
Experience adjustments	(2,666)	-	(2,666)
December 31, 2017	($ 29,149)	$ -	($ 29,149)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
January 1, 2016	($ 24,550)	$ -	($ 24,550)
Interest expense	(364)	-	(364)
	(24,914)	-	(24,914)
Remeasurements:			
Experience adjustments	(1,246)	-	(1,246)
December 31, 2016	($ 26,160)	$ -	($ 26,160)

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

	2017	2016
Discount rate	1.25%	1.25%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 872)	$ 907	$ 898	($ 868)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 825)	$ 859	$ 851	($ 821)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. 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 contribution to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to $0.

(f) As of December 31, 2017, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	737
1-2 year(s)		976
2-5 years		2,493
Over 5 years		29,521
	$	33,727

B. (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, 2017 and 2016 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 contributes 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 while limited to 4%.

(e) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were $26,057 and $25,593, respectively.

(10) Share-based payment

A. For the years ended December 31, 2017 and 2016, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (Note 2)	Contract period	Vesting conditions
Employee stock options	2015/11/1	4,294 (units)	7 years	2~ 4 years' service (Note 1)
Cash capital increase reserved for employee preemption	2016/9/22	918 (units)	-	Vested immediately

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

	2017	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	4,254,000	$ 36.0
Options forfeited	(504,800)	36.0
Options outstanding at December 31	3,749,200	36.0
Options exercisable at December 31	1,597,600	36.0

	2016	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	4,294,000	$ 36.0
Options granted	704,000	33.9
Options forfeited	(40,000)	36.0
Options exercised	(704,000)	33.9
Options outstanding at December 31	4,254,000	36.0
Options exercisable at December 31	-	-

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

		December 31, 2017		December 31, 2016	
Issue date approved	Expiry date	No. of shares (share in thousands)	Exercise price (in dollars)	No. of shares (share in thousands)	Exercise price (in dollars)
2015/11/1	2022/10/31	3,749	$ 36	4,254	$ 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
Cash capital increase reserved for employee preemption	2016/9/22	33.39	33.9	23.65%	0.003 years	-	0.246%	0.026

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, 2017	2016
Equity-settled	$ 8,279	$ 11,472

(11) Share capital

A. In September 2016, the Company increased its capital before listing in the Taiwan Stock Exchange, issuing 10,000,000 ordinary shares with NT$33.9 per share. The registration procedure has been completed.

B. As of December 31, 2017, the Company's authorized capital was $2,000,000, consisting of 200,000 thousand shares of ordinary shares, and the paid-in capital was US$765,557 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2017	2016
At January 1	76,555,696	66,555,696
Capital increase	-	10,000,000
At December 31	76,555,696	76,555,696

(12) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, the dividend policy should be adopted through the following process by the Board of Directors and resolved by the stockholders at the stockholders' meeting:

(a) Pay taxes as regulated.

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

(c) The Company should appropriate 10% of the retained earnings as legal reserve, unless the legal reserve equals to paid-in capital of the Company.

(d) Appropriate special reserves as required by the competent authority.

(e) Distributable retained earnings are 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 dividend.

B. On June 26, 2017, the stockholders resolved the appropriation of the 2016 earnings as follows:

	Amount (in dollars)	Earnings per share (in TWD)
Legal reserve	$ 34,882	
Cash dividends	306,223	$ 4
	$ 341,105	

C. On June 16, 2016, the stockholders resolved the appropriation of the 2015 earnings as follows:

	In USD		In TWD (Note)
	Amount (in dollars)	Earnings per share (in dollars)	Amount (in dollars)
Legal reserve	$ 559,429		$ 17,758
Cash dividends	1,464,226	$ 0.022	46,480
	$ 2,023,655		$ 64,238

Note: Using the exchange rate of 31.744 as of the date of stockholders' meeting.

D. On March 23, 2018, the Board of Directors proposed earnings distribution for year 2017 as follows:

	Amount	Earnings per share (TWD dollars)
Cash dividends	$ 22,967	$ 0.3

The abovementioned earnings distribution for year 2017 has not yet been resolved in the stockholders' meeting as of March 23, 2018.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(18).

(13) Operating revenues

	Years ended December 31, 2017	Years ended December 31, 2016
Sales revenue	$ 11,829,368	$ 12,112,213
Service revenue	83,674	88,634
	$ 11,913,042	$ 12,200,847

(14) Other income

	Years ended December 31, 2017	Years ended December 31, 2016
Interest income	$ 844	$ 732
Recovery income	620	176
Others	2,354	3,293
	$ 3,818	$ 4,201

(15) Other gains and losses

	Years ended December 31, 2017	Years ended December 31, 2016
Anti-dumping duties	($ 12,738)	$ -
Net exchange (loss) gain	(6,450)	3,258
Gain on disposal of assets	801	1,416
Others	(4,042)	(3,229)
	($ 22,429)	$ 1,445

(16) Finance costs

	Years ended December 31, 2017	Years ended December 31, 2016
Interest expense	$ 22,873	$ 16,172
Service charge on accounts receivable factoring	22,079	25,376
	$ 44,952	$ 41,548

(17) Expenses by nature

	Years ended December 31, 2017	Years ended December 31, 2016
Employee benefit expense	$ 1,474,510	$ 1,443,107
Depreciation charges on property, plant and equipment	$ 36,236	$ 41,075
Amortization charge	$ 2,933	$ 993
Rent expense	$ 609,880	$ 612,111

(18) Employee benefit expense

	Years ended December 31, 2017	Years ended December 31, 2016
Wages and salaries	$ 1,259,970	$ 1,227,419
Labor and health insurance fees	115,412	114,808
Pension costs	26,380	25,957
Other personnel expenses	72,748	74,923
	$ 1,474,510	$ 1,443,107

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' and supervisors' remuneration when distributing earnings, the Company shall distribute 1~15% for employees compensation and not higher than 2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, the Company accrued employees' compensation amounting to $2,325 and $5,085, respectively; while directors' and supervisors' remuneration was accrued at $2,325 and $5,085, respectively. The aforementioned amounts were recognized as salary expenses.

The employees' compensation and directors' and supervisors' remuneration were accounted for as 1% and 1%, respectively, based on the profit for the year ended December 31, 2017.

The Board of Directors resolved the actual distribution for employees' compensation and directors' remuneration amounted to $2,325 and $2,325, respectively. The employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' 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.

(19) Income tax

A. Income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Current tax:		
Current tax on profits for the period	$ 137,576	$ 169,174
Undistributed Retained Earnings	1,015	635
Prior year income tax (over) underestimation	539	(16,226)
Total current tax	139,130	153,583
Deferred tax:		
Origination and reversal of temporary differences	(112,218)	(4,073)
Impact of change in U.S. Federal tax rate	172,449	-
Total deferred tax	60,231	(4,073)
Income tax expense	$ 199,361	$ 149,510

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2017	Years ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 75,493	$ 291,644
Effect of non-deductible expenses or accounted as tax-exempt income as regulated in tax laws	(8,990)	(114,506)
Change in assessment of realisation of deferred tax assets	3,648	4,471
Taxable loss of income tax effect	(47,807)	(17,285)
Prior year income tax (over) underestimation	539	(16,226)
Tax on undistributed earnings	1,015	635
Impact of change in the tax rate on temporary difference between current year and the year realised	1,570	(451)
Separate taxation	1,448	517
Effect of changes in U.S. Federal tax rate	172,449	-
Others	(4)	711
Income tax expense	$ 199,361	$ 149,510

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:

	2017				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Temporary differences:					
-Deferred tax assets:					
Pension expense	$ 4,447	$ 55	$ 453	$ -	$ 4,955
Allowance for bad debts	11,308	(4,154)	-	(859)	6,295
Unrealized sales return and discounts	30,999	(6,666)	-	(2,473)	21,860
Valuation allowance in inventories	55,910	(15,198)	-	(4,383)	36,329
Deferred cost of sale	130,866	(327)	-	(11,140)	119,399
Depreciation	23,590	(9,056)	-	(1,783)	12,751
Unrealised expense	105,800	(25,342)	-	(8,363)	72,095
	-	181	-	(12)	169
Subtotal	$ 362,920	($ 60,507)	$ 453	($ 29,013)	$ 273,853
-Deferred tax liabilities:					
Unrealised exchange gain	(195)	183	-	12	-
Book-tax difference on property, plant and equipment	(130)	93	-	-	(37)
Subtotal	($ 325)	$ 142	$ -	$ 12	($ 37)
Total	$ 362,595	($ 60,231)	$ 453	($ 29,001)	$ 273,816

	2016				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Temporary differences:					
-Deferred tax assets:					
Pension expense	$ 4,174	$ 62	$ 212	($ 1)	$ 4,447
Allowance for bad debts	7,935	3,448	-	(75)	11,308
Unrealized sales return and discounts	31,132	236	-	(369)	30,999
Valuation allowance in inventories	57,870	(1,265)	-	(695)	55,910
Deferred cost of sale	148,434	(15,718)	-	(1,850)	130,866
Depreciation	26,712	(2,789)	-	(333)	23,590
Unrealised expense	86,477	20,241	-	(918)	105,800
Subtotal	$ 362,734	$ 4,215	$ 212	($ 4,241)	$ 362,920
-Deferred tax liabilities:					
Unrealised exchange gain	(58)	(137)	-	-	(195)
Book-tax difference on property, plant and equipment	(78)	(33)	-	(19)	(130)
Others	(28)	28	-	-	-
Subtotal	($ 164)	($ 142)	$ -	($ 19)	($ 325)
Total	$ 362,570	$ 4,073	$ 212	($ 4,260)	$ 362,595

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

December 31, 2017				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2012	$ 7,053	$ 1,474	$ -	2017
2017	144	144	-	2022

December 31, 2016				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2008	$ 253	$ 253	$ 253	2028
2009	18,115	18,115	18,115	2029
2010	13,757	13,757	13,757	2030
2011	46,638	46,638	46,638	2031
2012	24,945	24,945	24,945	2032
2012	7,053	1,474	-	2017
2013	15,273	15,273	15,273	2033
2014	5,794	5,794	5,794	2034
2015	2,704	2,704	2,704	2035
2016	8,037	8,037	8,037	2036

(20) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 28,531	76,556	$ 0.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	28,531	76,556	
Assumed conversion of all dilutive potential ordinary shares			
Employee share options	-	3,749	
Employees' bonus	-	72	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 28,531	80,377	$ 0.35

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 348,815	69,315	$ 5.03
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	348,815	69,315	
Assumed conversion of all dilutive potential ordinary shares			
Employee share options	-	4,254	
Employees' bonus	-	108	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 348,815	73,677	$ 4.73

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Rent expense:

	Years ended December 31,	
	2017	2016
MISA	$ 146,340	$ 152,423
Yeh Family	32,897	33,720
Other	14,508	13,536
	$ 193,745	$ 199,679

Rent paid to related parties is approximately the same with third parties and rent is paid monthly.

B. Payables to related parties:

	December 31,	
	2017	2016
Coaster Furniture (ShenZhen) Ltd.	$ 1,749	$ 1,792

The Group pays a fixed cash amount monthly as agreed by both parties for advisory consulting services provided by related parties.

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and bonus	$ 158,391	$ 160,969
Pensions	5,653	4,850
Share-based payments	6,227	8,340
	$ 170,271	$ 174,159

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2017	December 31, 2016	Purpose
Accounts receivable	$ 506,869	$ 477,615	Guaranteed by bank credit granting along with asset items in the left column
Other receivables	281,399	277,523	
Inventories	3,684,144	2,813,129	
Property, plant and equipment	82,076	96,444	
	$ 4,554,488	$ 3,664,711	

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The future aggregate minimum lease payables under non-cancellable operating leases agreements are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 467,009	$ 603,890
Later than one year but not later than five years	1,076,248	1,584,097
Later than five years	244,944	375,813
Total	$ 1,788,201	$ 2,563,800

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio within 0% to 50%. The gearing ratios at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total borrowings	$ 1,389,196	$ 343,442
Less: cash and cash equivalents	(348,475)	(616,226)
Net debt	1,040,721	(272,784)
Total equity	2,736,722	3,274,885
Total capital	$ 3,777,443	$ 3,002,101
Gearing ratio	28%	0%

(2) Financial instruments

A. Fair value information of financial instruments

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, paid short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values.

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(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 co-operation 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, use of derivative financial instruments and non-derivative financial instruments, 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 various currency exposures, primarily with respect to the CAD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

(iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain 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, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 813	0.7989	$ 19,252

	December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 827	0.7448	$ 19,959

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

	Year ended December 31, 2017		
	Exchange (loss) gain		
Financial assets	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Monetary items			
CAD：USD		0.7989	($ 1,502)

	Year ended December 31, 2016		
	Exchange (loss) gain		
Financial assets	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Monetary items			
CAD：USD		0.7448	($ 2,474)

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

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
CAD：USD	1%	$ 193	$ -

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
CAD：USD	1%	$ 200	$ -

ii. Price risk

The Group does not hold investments classified as available-for-sale financial assets or financial assets at fair value through profit or loss, thus, the Group is assessed as not exposed to price risk.

iii. Interest rate risk

(i) The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the USD.

(ii) At December 31, 2017 and 2016, if interest rates on USD-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been \$1,319 and \$292 lower/higher, respectively, mainly as a result of higher/lower interest expense on 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 Group has signed factoring contracts for accounts receivable with financial institutions. In accordance with contracts, the Group needs not to bear risks for unrecoverable accounts receivable within the credit limit approved in advance by the financial institutions. However, the Group needs to bear the default risk of transaction amount exceeding the prior approved credit limit or the risks arising from banks' rejections to accounts receivable for defective products. For the years ended December 31, 2017 and 2016, management does not expect any significant losses from non-performance by these counterparties.

ii. The credit quality information of financial assets that are neither past due nor impaired is provided in descriptions of all financial assets in Note 6.

iii. The ageing information of financial assets that are past due but not impaired is provided in descriptions of all financial assets in Note 6.

iv. The individual analysis of financial assets that had been impaired is provided in the stutement for each type of financial asset in Note 6.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company 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.

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 1,393,865	$ -	$ -	$ -
Notes payable	7,496	-	-	-
Accounts payable	605,068	-	-	-
Other payables	331,827	-	-	-

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 344,284	$ -	$ -	$ -
Notes payable	2,797	-	-	-
Accounts payable	671,246	-	-	-
Other payables	329,538	-	-	-

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 or 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 revenue 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 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 purchase and transportation of furniture and related services.

Details of revenue balance is as follows:

	Years ended December 31,	
	2017	2016
Revenue from sale of furnitures	$ 11,829,368	$ 12,112,213
Service revenue	83,674	88,634
Total	$ 11,913,042	$ 12,200,847

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Year ended and as at December 31, 2017		Year ended and as at December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	$ 11,748,155	$ 120,149	$ 11,991,354	$ 143,240
Others	164,887	21,994	209,493	25,416
Total	$ 11,913,042	$ 142,143	$ 12,200,847	$ 168,656

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, 2017 and 2016 did not exceed 10% of the consolidated net operating revenue.

Coaster International Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2017

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	Coaster International Co., Ltd.	COA, Inc.	Other receivables	Yes	$ 259,200	$ 237,120	$ 118,560	1.27%	Short-term financing	$ -	Operational needs	$ -	-	$ -	$ 1,094,689	$ 1,094,689	Note 1
0	Coaster International Co., Ltd.	COA Asia, Inc.	Other receivables	Yes	97,200	88,920	-	1.27%	Short-term financing	-	Operational needs	-	-	-	1,094,689	1,094,689	Note 1
1	CFS (USA), Inc.	COA, Inc.	Other receivables	Yes	64,800	-	-	0.68%	Short-term financing	-	Operational needs	-	-	-	-	-	Note 3
2	COA Asia, Inc.	COA, Inc.	Other receivables	Yes	162,000	148,200	146,953	0.00%	Short-term financing	-	Operational needs	-	-	-	282,136	282,136	Note 2

Note 1 ：According to the company's "Procedures for Provision of Loans", ceiling on each and total loans granted to other company for short-term financing is 40% of net asset of the Company.

Note 2 ：According to the company's "Procedures for Provision of Loans", ceiling on each and total loans granted to entity in the Group for short-term financing is net asset of the Company.

Note 3 ：Due to restructure, COA, Inc. acquired CFS (USA), Inc. on August 1, 2017.

Note 4：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 29.64).

Coaster International Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting periods

Only significant transactions exceeding NT$8 million are disclosed

Year ended December 31, 2017

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

				Transaction			
No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	COA, Inc.	COA Asia, Inc.	3	Commission expense	$ 86,625	As conditions negotiated by both parties	0.73%
1	COA, Inc.	Ye Hey (ShenZhen) Logistics Service Company	3	Commission expense	43,543	As conditions negotiated by both parties	0.37%
1	COA, Inc.	Ye Hey Taiwan Logistics Service Ltd.	3	Commission expense	61,264	As conditions negotiated by both parties	0.51%
1	COA, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	3	Commission expense	27,310	As conditions negotiated by both parties	0.23%
1	COA, Inc.	Coaster Furniture (KunShan) Advisory Holdings Ltd.	3	Commission expense	18,241	As conditions negotiated by both parties	0.15%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017 (USD 1 : TWD 30.4016), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 29.64).

Coaster International Co., Ltd. and subsidiaries

Information on investees

Year ended December 31, 2017

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
Coaster International Co., Ltd.	COA, Inc.	United States	Furniture trading	$ 2,160,227 (72,398 thousands of USD)	$ 1,993,781 (66,894 thousands of USD)	79,109,865	100.00	$ 2,302,459	($ 70,151)	($ 70,151)	
Coaster International Co., Ltd.	COA Asia, Inc.	Cayman Islands	Furniture trading/ Purchase service	104,052 (3,349 thousands of USD)	104,052 (3,349 thousands of USD)	1,000	100.00	282,136	129,382	129,382	
Coaster International Co., Ltd.	CFS Global Inc.	Cayman Islands	Investment holding	66,023 (1,847 thousands of USD)	268,832 (8,501 thousands of USD)	100	100.00	2,296	38,271	38,271	
COA, Inc.	Deliverall Logistics, Inc.	United States	Transportation service	25,280 (800 thousands of USD)	25,280 (800 thousands of USD)	100	100.00	31,378	243	243	
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	Malaysia	Purchase service	2,978 (320 thousands of MYR)	2,978 (320 thousands of MYR)	324,603	100.00	16,701	5,267	5,267	
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	Hong Kong	Investment holding	17,424 (600 thousands of USD)	17,424 (600 thousands of USD)	150,000	100.00	9,575	(2,395)	(2,395)	
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	Taiwan	Furniture trading/ Purchase service	3,000	3,000	300,000	100.00	34,978	15,736	15,736	
COA Asia, Inc.	Ye Hey Holding Co., Ltd.	Hong Kong	Investment holding	10,432 (350 thousands of USD)	10,432 (350 thousands of USD)	350,000	100.00	2,768	(1,955)	(1,955)	

Note: Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017 (USD 1 : TWD 30.4016), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 29.64).

Coaster International Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2017

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
Coaster Furniture (KunShan) Advisory Ltd.	Furniture trading/ Purchase service	$ 17,424 (600 thousands of USD)	2	$ -	$ -	$ -	$ -	($ 254)	100.00	($ 254)	$ 17,379	$ -	Invested by Coaster Furniture (Asia) Service Holdings Ltd.
Ye Hey (ShenZhen) Logistics Service Company	Warehousing and transportation service	10,432 (350 thousands of USD)	2	-	-	-	-	312	100.00	312	10,872	-	Invested by Ye Hey Holding Co., Ltd.

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Reinvested in the investee in Mainland China through investing in an existing company in the third area.

(3) Others

Note 2: Investment income (loss) current was recognised in the financial statements that are audited and attested by parent company's CPA.

Note 3: Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017 (USD 1 : TWD 30.4016), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 29.64).

客思達 COASTER
INTERNATIONAL CO., LTD
客思達股份有限公司