Stock Code : 2936

客思達 COASTER INTERNATIONAL CO., LTD

客思達股份有限公司

COASTER FINE FURNITURE

2018 Annual Report

<u>Notice to readers</u>

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.

TWSE: http://mops.twse.com.tw
Disclosed information can be found at :http://www.coasterinternational.com/
Printed on June 5. 2019

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 KY 1-9005 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 : Penny Pan, Audrey Tseng
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/

Table of Contents

I. Letter to Shareholders

1. 2018 Operation Report

過去一年，美國家具產業面臨許多不確定因素，首先是美國對中國進口家具加徵關稅並陸續提升，業界均難以預期美國消費者將會如何反應因關稅引起的家具售價上漲，至於美國家具商是否將大幅度將家具採購地移轉至他處，亦未能看出明確的方向，因此美國家具的零售價格很可能因為上漲而削弱消費者的消費意願及減少財富效果，至今從美國股市的表現亦未能看出有顯著共識。

客思達 2018 年初由於布建過多的存貨衍生倉儲人力成本及高昂的滯櫃費用，致 2018 年第一季及第二季有較高的銷貨成本，客思達 2018 年全年稅後每股虧損 0.29 元。

2018 was a year that full of challenges; the industry was under the mist of US- China trade war, it is unclear how U.S. furniture retailers and consumers will response to the increase of furniture product cost and price, and how other U.S. furniture importers will adopt to other furniture product sourcing alternatives. Also, it is uncertain how U.S. stock market will reflect the risks of stock price -- the potential “wealth effect” on consumer spending.

In the beginning of 2018, warehouse cost, labor cost, and additional demurrage cost of containers incurred by excessive inventory led to a higher COGS in Q1 and Q2 of 2018, the loss per share after tax of 2018 was NT$0.29,

本公司在制定 2019 年營運計畫時，已考量前述不確定性以及伴隨的市場風險，並提出兼顧平衡風險以及發展機會的營運計畫。在管理層面，客思達近期已達成 ERP 及各項管理系統的開發計畫。本集團內部自行開發之採購管理系統已於 2018 年 10 月完成升級及啟動，美國子公司並已完成 ERP 系統版本升級，並完備供應商資訊建置及管理。本集團自 2017 年底開始，對於資訊系統流程逐步進行流程重新檢視再造，以提升營運管理效率及報表透明度。在行銷層面，客思達於 2019 年初推出三個 Coaster 自有品牌分支，並將網頁重新設計，著重使用者介面及消費經驗，搭配拱橋象徵連結的新 Coaster Logo 設計。客思達為了推展 Coaster 自有品牌，已重新規劃建置 Coaster 網站，直接與消費者互動及連結，下一步則是將消費者導流至客思達的實體通路客戶，建立完整的銷售網絡。此外客思達引入 3D 建模技術將家具商品以高規格的技術進行影像建檔，將可大幅度地應用於行銷層面。

Coaster considered the potential impact of market uncertainty and risk factors in its 2019 business plan and budget – we proposed a 2019 budget that balances risks and opportunities. From management aspect, Coaster executes several plans on upgrading ERP and procurement management system: RP2 internal developed system has been successfully launched – upgraded and implemented in Oct 2018. The upgrading and re-engineering of ERP system of the U.S. subsidiary is in progress and is expected to launch in the middle of 2019.

展望 2019 年，營運目標將放在可達成獲利的良性成長，同時降低潛在的市場與供應鏈風險，並以跨入 O2O 營運模式、提供消費者更好的商品及服務、並且及早因應新零售時代的來臨為目標。

In 2019, Coaster makes efforts to maintain a healthy profitable growth and mitigate potential market and supply chain risks. At the same time Coaster starts evolving to a new business model (O2O) to better serve consumers and adopting to the new retailing (Ecommerce) business environment.

3. Market Competition, Regulatory Compliance and Global Economy Prospect

近年來美國傳統零售產業在電子商務快速發展下受到極大衝擊，尤其新世代消費者格外重視消費過程，進行日常的採購決策前需要先取得充分的資訊。因此，美國的實體家具店不分規模大小，均面臨電商平台(如 Amazon, Wayfair 等電商平台)來勢洶洶的衝擊。客思達營業額之 75%為供貨予實體家具店，餘 25%則是供貨予電商平台，面臨前述各項干擾因素，客思達從家具供應商的角色出發，除了平衡實體通路及電商平台通路，並將觸角延伸至直接對終端消費者行銷，並逐步轉向 O2O(B2B 結合 B2C)營業模式。

Ecommence is one of the major disruptior to U.S. retailing business in recent years. As new generation of consumers emphases more and more on shopping experience, convenience, and informed decision making, U.S. brick and mortar furniture retailers encounter furious competition from their Ecommerce counterparts (i.e. Amazon, Wayfair, etc.). Coaster's current dealer base composes 75% of brick and mortar furniture store and 25% of Ecommerce (fulfillment), Coaster starts connecting dealers to Coasetr managed nationwide service network to better service consumers, and gradually migrate from existing B2B (Coaster to Dealers) business model to an O2O business model (combine B2B and B2C).

關於產品安全法規，美國對家具產品採取更為嚴格的標準來保障消費者安全。客思達已建構相關數據來紀錄我們產品的合規情形，集團的品管單位與供應商協調產品規格的同時，並監督及要求其材料的使用，必須符合美國的各種標準。對所銷售的家具也考量安全設計，例如較高的櫃子如何加強結構設計以避免傾倒，來減少消費者在產品使用上可能發生的傷害。此外，我們的包裝與標籤都符合美國聯邦和州當局相關規定。

With respect to the regulations on product safety, as noted that U.S. imposes more stringent standards on furniture products to safeguard consumer safety, protect the environment and endangered species. We are pleased to report that Coaster has established a comprehensive database to document the compliance of our products. With the help of our overseas offices, we monitor our overseas vendors in satisfying the U.S. requirements on the raw material sourcing and production processing. Our vendors are allowed to use only the permissible materials in making Coaster products. The qualified materials have to meet various the U.S. standards including the requirements on the use of flammable fabrics, toxic substance, and formaldehyde emissions. In addition, Coaster is in compliance with the applicable packaging and labeling regulations of U.S. federal and state authorities.

基於『品質至上』經營理念，提供「優良品質」商品是企業永續發展的絕對條件，致力維護好品質與滿足客戶交期是本公司多贏共榮的社會責任展現。最後，再次感謝各位股東對公司的愛戴與支持。

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.

敬祝 各位 身體健康、萬事如意！

Chairperson: Lisa Kao

CEO: Michael Yeh

II. Company Profile

1. Corporate History

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

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

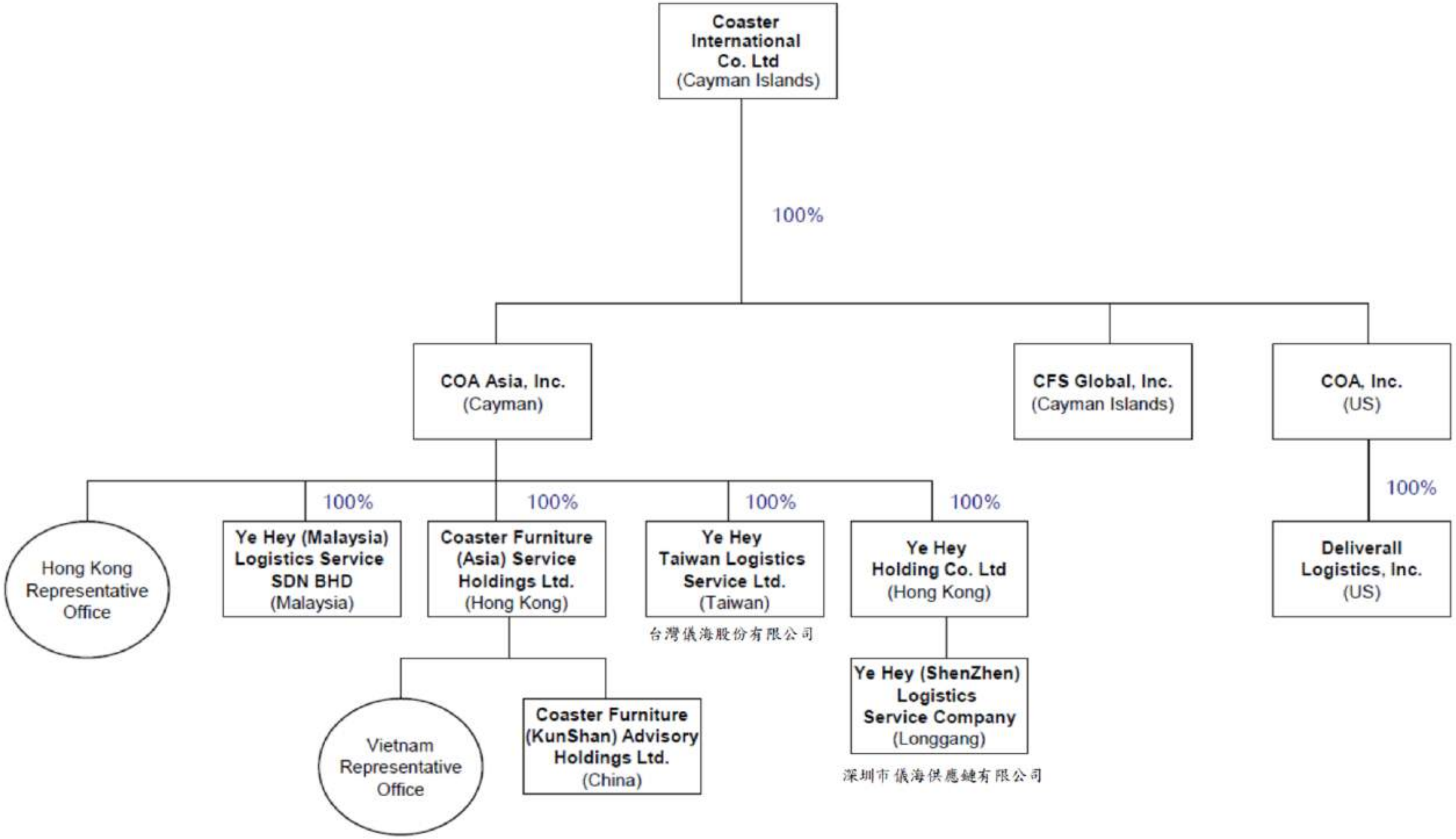
Most of Coaster customers are based in North America, in particular, in the United States. Coaster provides assortments of furniture products with a selection of styles and affordable prices for purchase. Coaster’s major distribution channels include: (a) independent furniture retailers; (b) major U.S.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

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

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

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

2. Organization



3. Company History and Milestone Events

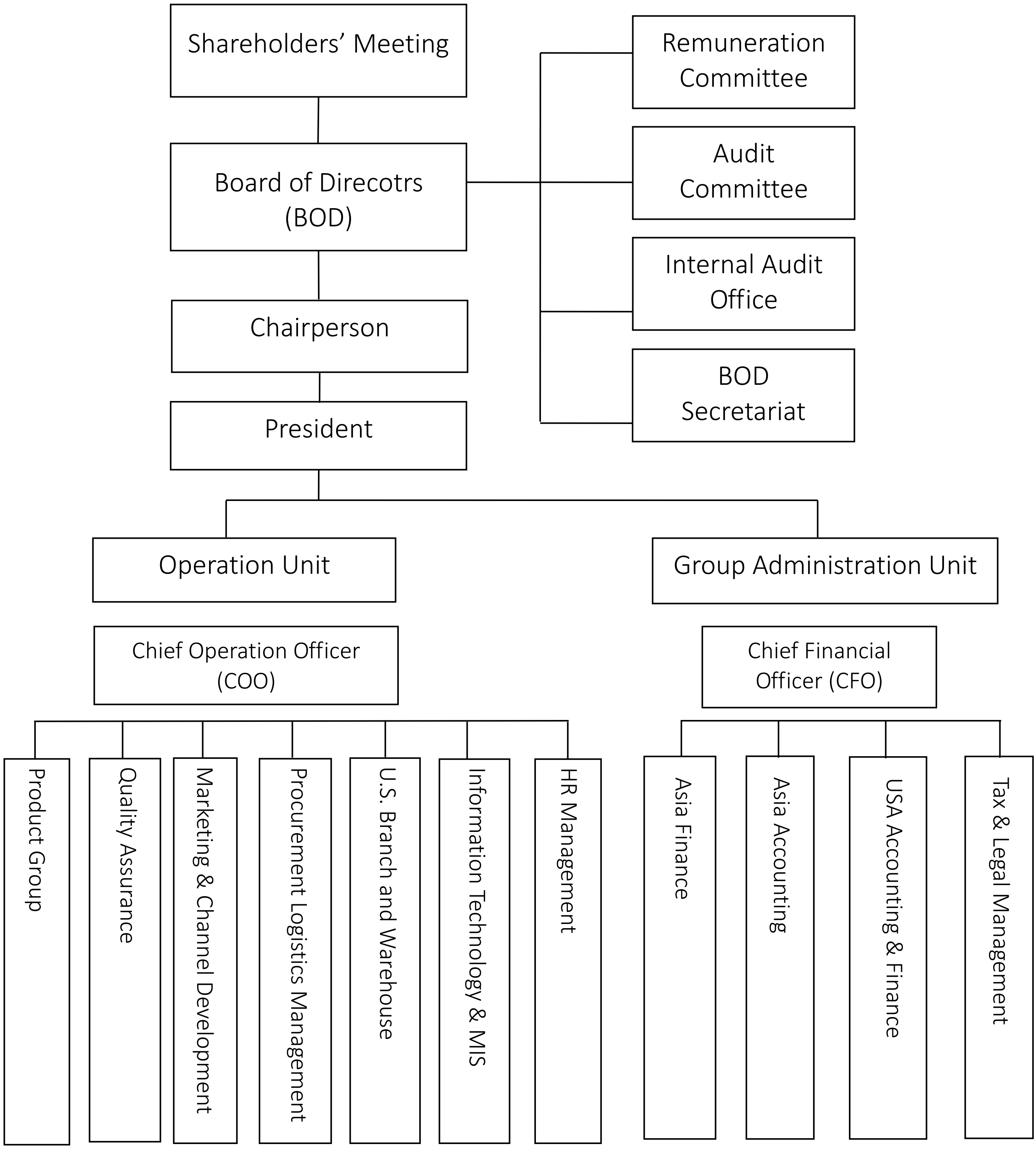
Date	Coaster Group Major Milestone Events:
Feb. 1981	COA Inc. established its headquarters and branch warehouse in Los Angeles County, California.
1985 to 1989	Established additional U.S. branch warehouses: Chicago branch (1985); New Jersey branch (1987); and Atlanta branch (1989).
1991 to 1994	Established 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.
2019	Introduce new and diverse collection with 3 New sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations.

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.

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

2. Directors and Management Team

2.1 Directors and supervisors

2.1.1 Directors

2019/4/27

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Nationality</th><th rowspan="2">Gender</th><th rowspan="2">First Election Date</th><th rowspan="2">Election Date</th><th rowspan="2">Tenure (year)</th><th colspan="2">Shareholding when elected</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse & Minor Shareholding</th><th colspan="2">Shareholding in the Name of Others</th><th rowspan="2">Major Education & Experience</th><th rowspan="2">Current Position with Other Company</th><th colspan="3">Manager is a Spouse or Consanguinity within 2 degrees to each other</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td>Chairperson</td><td>Lisa Kao</td><td>R.O.C</td><td>F</td><td>1981/2/21</td><td>2018/6/12</td><td>3</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>27,592,271</td><td>36.04</td><td>- Bachelor, School of Foreign Languages and Cultures, Soochow University, Taiwan
- Funder of Coaster</td><td>- Executive director of COA, Inc.</td><td>Senior Director</td><td>Janice Yeh</td><td>Mother and daughter</td></tr>
<tr><td rowspan="2">Director</td><td>Yeko LLC</td><td>U.S.A.</td><td>-</td><td>2015/10/23</td><td>2018/6/12</td><td rowspan="2">3</td><td>26,172,351</td><td>34.19</td><td>26,172,351</td><td>34.19</td><td>0</td><td>0</td><td>0</td><td>0</td><td rowspan="2">- KaiNan Vocational High School, Taiwan
- Funder of Coaster</td><td rowspan="2">- President of Coaster
- President of Coaster Group - North America Region
- President of Coaster Group - Asia Region</td><td rowspan="2">Senior Director</td><td rowspan="2">Janice Yeh</td><td rowspan="2">Father and daughter</td></tr>
<tr><td>Representative：Michael P Yeh</td><td>R.O.C</td><td>M</td><td>1981/2/21</td><td>2018/6/12</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>11,799,715</td><td>15.41</td></tr>
<tr><td>Director</td><td>Alexander Pan</td><td>R.O.C</td><td>M</td><td>2012/6/10</td><td>2018/6/12</td><td>3</td><td>86,000</td><td>0.11</td><td>180,000</td><td>0.24</td><td>0</td><td>0</td><td>0</td><td>0</td><td>- 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</td><td>- CFO, CoA Inc.
- CFO, Coaster International Co. Ltd.</td><td>--</td><td>--</td><td>--</td></tr>
</table>

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	2018/6/12	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	2018/6/12	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	2018/6/12	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	2018/6/12	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

2019/4/27

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

2019/4/27

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	11,799,715	15.41	- 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	180,000	0.24	0	0	0	0	- Ph.D. Business Administration, University of Southern California, USA - MBA. (Finance), University of Southern California, USA - Master of Business Taxation, University of Southern California, USA - Master (Economics), Soochow University, Taiwan - Partner, PricewaterhouseCoopers, LLP (USA) - Assistant Professor, Loyola Marymount University (USA) - Lecturer, MBA Program, University of Southern California. - Certified Public Accountant, USA	- CFO, CoA Inc. - CFO, Coaster International Co. Ltd.	--	--	--
VP	Matthew Chen	U.S.A.	Male	1990/8/20	0	0	0	0	0	0	- M.S., Actuarial Science, University of Nebraska, Lincoln - M.S., Statistics, University of Akron, Ohio - Actuarial Analyst, Transamerica Life Insurance Company - Sr. Actuarial Analyst, State Farm Insurance Company	- Vice President of Administration and Human Resources, COA, Inc.	--	--	--
VP	Gene Korbut	U.S.A.	Male	2000/2/14	0	0	0	0	0	0	- B.A., Chinese Language and Literature, University of Massachusetts, USA - Distract Sales Manager, Cosco North America, Inc. - Assistant Manager, Evergreen America Corp.	- Vice President of Transportation, COA, Inc.	--	--	--

Title	Name	Nationality	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
					Shares	%	Shares	Shares	%	Shares			Title	Name	Relation
VP	John Rodriguez	U.S.A.	Male	1990/1/29	0	0	0	0	0	0	- Assistant Sales, Marketing & Purchasing Manager, Scientific Sealing Technology	- Vice President of Operations, COA, Inc.	--	--	--
VP	Steve Goldsmith	U.S.A.	Male	1993/2/24	0	0	0	0	0	0	- B.A.in Business Administration, Florida Atlantic University, USA - General Manager, FMUSA Management Corp. - Manager, Door Store Furniture	- Vice President of Branch Operations, COA, Inc.	--	--	--
VP	Crystal Nguyen	U.S.A.	Female	2013/9/16	0	0	0	0	0	0	- B. A. of Fashion Institute of Design & Merchandising (FIDM), Los Angeles, CA, USA - Vice President of Product Development, A-America, Inc. - Vice President of Retail, Wholesale Product Development & Design, HOME Furniture	- Vice President of Product Department, COA, Inc.	--	--	--
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.

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

2018/12/31; 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">3,247</td><td rowspan="7">3,247</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">24</td><td rowspan="7">36</td><td rowspan="7">-14,96</td><td rowspan="7">-14.96</td><td rowspan="7">2,921</td><td rowspan="7">39,718</td><td rowspan="7">108</td><td rowspan="7">1,615</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">-28.71</td><td rowspan="7">-203.26</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

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

3.1.2 Remuneration to Supervisors

Not applicable.

3.1.3 Remuneration Paid to President and Vice Presidents

2018/12/31; NT$’000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Pension Fund (B)</th><th colspan="2">Bonus and special allowance(C)</th><th colspan="4">Bonus to employees from distribution of earnings (D)</th><th colspan="2">(A+B+C+D) Percentage of net income after tax (%)</th><th rowspan="3">Other remuneration from investment business except subsidiary</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 colspan="2">The Company</th><th colspan="2">Consolidated</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>President</td><td>Michael P Yeh</td><td rowspan="9">2,921</td><td rowspan="9">45,591</td><td rowspan="9">108</td><td rowspan="9">1,801</td><td rowspan="9">0</td><td rowspan="9">1,146</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">-13.8</td><td rowspan="9">-221.14</td><td rowspan="9">0</td></tr>
<tr><td>CFO</td><td>Alexander Pan</td></tr>
<tr><td>VP</td><td>Toby Konetzny</td></tr>
<tr><td>VP</td><td>Joshua Chow</td></tr>
<tr><td>VP</td><td>Matthew Chen</td></tr>
<tr><td>VP</td><td>Gene Korbut</td></tr>
<tr><td>VP</td><td>John Rodriguez</td></tr>
<tr><td>VP</td><td>Steve Goldsmith</td></tr>
<tr><td>VP</td><td>Crystal Nguyen</td></tr>
</table>

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, Matthew Chen, Steve Goldsmith, Gene Korbut, Crystal Nguyen
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	7 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	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	2017				2018			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Amount	%	Amount	%	Amount	%	Amount	%
Directors	5,623	19.74	5,643	19.78	3,271	-14.90	3,283	-14.96
President and Vice President	3,602	12.63	60,344	211.50	3,029	-13.80	48,538	-211.14

The percentage of remuneration paid to the Board of Directors over net income after tax in 2018 and 2017 is -14.96% and 19.78%, the net loss after tax of 2018 caused a negative percentage of remuneration paid to the Board of Directors.

The percentage of remuneration paid to President, CFO and Vice Presidents over net income after tax in 2018 and 2017 is -211.14% and 211.50%, , the net loss after tax of 2018 caused a negative percentage of remuneration paid to President, CFO and Vice Presidents.

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

(1) Compensation of directors is determined and paid in accordance to the level of participation and contribution to business operations of the Company by the director in the said position, and with reference to the salary level of global industry standards.

(2) Compensation of President, CFO and Vice Presidents is determined according to the position, working years, contribution made to the Company and with reference to industry standards, and processed according to Company HR bylaws.

(3) In summary, the compensation policy of directors, President, CFO and Vice Presidents is in positive relation to business performance of the company, and will creates a long-term value for our shareholders.

4. Implementation of Corporate Governance

4.1 Board of Directors

4.1.1. There are 9 meetings of the Board of Directors held in the period from January 1, 2018 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	9	0	100%	Re-elected on the date of 2018/6/12
Director	Yeko LLC Representative：Michael P Yeh	8	1	88.9%	Re-elected on the date of 2018/6/12
Director	Alexander Pan	9	0	100%	Re-elected on the date of 2018/6/12
Director	Rong Zing Liu	8	1	88.9%	Re-elected on the date of 2018/6/12
Independent Directors	Hui-Erh Yuan	9	0	100%	Re-elected on the date of 2018/6/12
	Jong Rong Chen	8	1	88.9%	Re-elected on the date of 2018/6/12
	Lung Zin Chi	9	0	100%	Re-elected on the date of 2018/6/12

4.1.2.Other mentionable items：

(1) Should any circumstance described in Article 14-3 of the Securities and Exchange Act and any resolution on which an independent director had a dissenting or qualified opinion occur in board meetings, the dates and

sessions of the said board meetings, the contents of the said resolutions, opinions of all independent directors, and measures the Company had in responding to such opinions shall be specified

Meetings of the 1st Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
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
	5. The Company's 2018 business plan and budget.	✓	None
	6. The Declaration of Internal Control System of the Company (2017/1/1~2017/12/31)	✓	None
	7. The re-election of the Board of Directors of the Company.	✓	None
	8. Proposal of Directors candidate nomination	✓	None
	9. Suspend the non-competition restriction on director and its legal representative.	✓	None
	10. Implementation of Share Buyback program of the company.	✓	None
	11. The dates, agenda of the Company's 2018 Annual Shareholders' Meeting.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 21th Meeting of the 1th Term (April 20, 2018)	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.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 22th 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.	✓	None
	2.To discuss and approve COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.	✓	None
	Measures the Company take to respond to independent director's opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 1st	1. Election of the Chairperson of the 2nd term Board of Directors.	✓	None

Meetings of the 1st Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
Meeting of the 2nd Term (June 12, 2018)	Measures the Company take to respond to independent director’s opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 2nd Meeting of the 2th Term (August 10, 2018)	1. To discuss and approve the Q2 2018 consolidated financial statements.	✓	None
	2.To discuss and approve the capital lending to COA, Inc., with a maximum amount of US$ 3 million.	✓	None
	3.To discuss and approve the capital lending to COA Asia, Inc., , with a maximum amount of US$ 3 million.	✓	None
	4. To discuss and approve the appointment of the members of the Company’s Remuneration Committee.	✓	None
	Measures the Company take to respond to independent director’s opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 3rd Meeting of the 2th Term (November 09, 2018)	1. Year 2019 Audit Plan.	✓	None
	2. Amendment to Aeest Lease related procedures of the “Internal Control System” of the Company.	✓	None
	3. The Proposal for Distribution of 2017 Profits.	✓	None
	4. The Company’s 2019 business plan and budget.	✓	None
	Measures the Company take to respond to independent director’s opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 4th Meeting of the 2th Term (March 28, 2019)	1. 2018 Business Report and the Consolidated Financial Statements for the year ended December 31, 2018.	✓	None
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018.	✓	None
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	None
	4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31)	✓	None
	5.Amendment to the ‘Operational procedures for Acquisition and Disposal of Assets’, ‘Operational Procedures for Derivatives Trading’, ‘Operational Procedures for Loaning of Company Funds’ and ‘Operational Procedures for Endorsements and Guarantees’.	✓	None
	6. Amendment to the “Procedural Rules of Board Meetings”	✓	None
	7. Amendment to the “Memorandum and Articles” of the Company.	✓	None
	8. The dates, agenda of the Company’s 2019 Annual Shareholders’ Meeting.	✓	None
	Measures the Company take to respond to independent director’s opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		
The 5th	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5	✓	None

Meetings of the 1st Board of Directors	Contents	Article 14-3	Objection or Expression of Reservations
Meeting of the 2th Term (May 05, 2019)	million.		
	2. Amendment to the “Procedural Rules of Board Meetings”	✓	None
	3. Information of convening a regular shareholders meeting to handle shareholder proposals, and the Format of Proxies for Attendance at Shareholder Meeting.	✓	None
	Measures the Company take to respond to independent director’s opinions: Not applicable.		
	Resolution: Approved by all attending Directors without objection.		

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

A. 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.

B. The 2nd Meeting of the 2nd Term (August 10, 2018)

Content : The appointment of the members of the Company’s Remuneration Committee.

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

C. The 3rd Meeting of the 2nd Term (November 9, 2018)

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

Directors recused themselves from the discussion and voting of their compensation 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: 3 Independent Directors were elected in the Shareholders’ Meeting on November 11, 2018, the Audit Committee and the Remuneration Committee were also officially established, 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 2018 and the period from January 1, 2019 to the annual report printing date, the attendance status of Independent Directors in the year and recent year

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

4.2.2. Other matters of importance:

(1) 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 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	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.

Meetings of the 1st Board of Directors	The Contents of Board Meeting	Article 14-5	Resolution made by the Audit Committee
Term (May 11, 2018)	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.		
The 1st Meeting of the 2nd Term (August 10, 2018)	1. The Q2 2017 consolidated financial statements.	✓	Proposed to Audit Committee of 2018/8/10 and be approved by all attending independent directors without objection.
	2.To discuss and approve the capital lending to COA, Inc., with a maximum amount of US$ 3 million.		Proposed to Audit Committee of 2018/8/10 and be approved by all attending independent directors without objection.
	3.To discuss and approve the capital lending to COA Asia, Inc., with a maximum amount of US$ 3 million.	✓	Proposed to Audit Committee of 2018/8/10 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 2nd Meeting of the 2nd Term (November 09, 2018)	1. Year 2019 Audit Plan.	✓	Proposed to Audit Committee of 2018/11/9 and be approved by all attending independent directors without objection.
	2. Amendment to Aeest Lease related procedures of the “Internal Control System” of the Company.	✓	Proposed to Audit Committee of 2018/11/9 and be approved by all attending independent directors without objection.
	3. The Company’s 2019 business plan and budget.	✓	Proposed to Audit Committee of 2018/11/9 and be approved by all attending independent directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 3rd Meeting of the 2nd Term (March 28, 2019)	1. 2018 Business Report and the Consolidated Financial Statements for the year ended December 31, 2018.	✓	Proposed to Audit Committee of 2019/03/28 and be approved by all attending independent directors without objection.
	2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018.	✓	Proposed to Audit Committee of 2019/03/28 and be approved by all attending independent directors without objection.
	3. The assessment result of independence and suitability of the CPA engaged by the company regularly.	✓	Proposed to Audit Committee of 2019/03/28 and be approved by all attending independent directors without objection.
	4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31)	✓	Proposed to Audit Committee of 2019/03/28 and be approved by all attending independent directors without objection.
	5.Amendment to the ‘Operational procedures for Acquisition and Disposal of Assets’, ‘Operational Procedures for Derivatives	✓	Proposed to Audit Committee of 2019/03/28 and be approved by all attending independent

Meetings of the 1st Board of Directors	The Contents of Board Meeting	Article 14-5	Resolution made by the Audit Committee
	Trading’, ‘Operational Procedures for Loaning of Company Funds’ and ‘Operational Procedures for Endorsements and Guarantees’.		directors without objection.
	Measures the Company take to respond to Audit Committee’s opinions: Not applicable.		
The 4th Meeting of the 2nd Term (May 10, 2019)	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5 million.	✓	Proposed to Audit Committee of 2019/05/10 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. There’s no material items during the year of 2018.

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. There’s no material items during the year of 2018.

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? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee	✓ ✓		(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. (2) COASTER has not set up functional committees other than the Remuneration Committee and the Audit	None

	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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?	 ✓ ✓		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 disclosure, creating a spokesman system, webcasting investor conferences)?	 ✓ ✓		 (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: + 886-4-22490777.COASTER has established a spokesman system. Investor conference information is disclosed on the corporate website.	None

	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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 24 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.				

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

Name of Director	Nationality	Gender	Professional Background and Decision-making Capacity							
			營運判斷能力 Operational Judgement	會計與財務分析能力 Accounting and Financial Analysis	經營管理能力 Administration	危機處理能力 Crisis Management	產業知識 Industry Knowledge	國際市場觀 International Outlook	領導能力 Leadership	決策能力 Decision Making
Lisa Kao	R.O.C.	F	V		V	V	V	V	V	V
Michael P Yeh	R.O.C.	M	V		V	V	V	V	V	V
Alexander Pan	R.O.C.	M	V	V	V	V	V	V	V	V
Rong Zing Liu	R.O.C.	M	V	V	V	V	V	V		V
Hui-Erh Yuan	R.O.C.	F	V	V	V	V	V	V	V	V
Jong Rong Chen	R.O.C.	M	V	V		V	V	V		V
Lung Zin Chi	R.O.C.	M	V			V	V	V		V

Note 2 CPAs' independence and competency

獨立性運作審查(以下任一項勾選"否"者，應進一步了解具體事實)					
項次	評核內容	請勾選			是否符合獨立性
		是	否	N/A	
1	會計師對於委辦事項與其本身有直接或重大間接利害關係而影響其公正及獨立性 時，已迴	V			Yes

	避而未承辦。				
2	會計師提供財務報表之查核、核閱、複核或專案審查並作成意見書時，除維持實 質上之獨立性外，亦維持形式上之獨立性。	V			Yes
3	審計服務小組成員、其他共同執業會計師或法人會計師事務所股東、會計師事務 所、事務所關係企業及聯盟事務所，亦對本公司維持獨立性。	V			Yes
4	會計師以正直嚴謹之態度，執行專業之服務。	V			Yes
5	會計師於執行專業服務時，維持公正客觀立場，亦已避免因偏見、利害衝突或利 害關係而影響專業判斷。	V			Yes
6	會計師並無因缺乏或喪失獨立性，而影響正直及公正客觀之立場。	V			Yes

4.4 Corporate Governance Guidelines and Regulations

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

4.5 Other Important Corporate Governance Information

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

4.5.2 Directors Profession Enhancement Status

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Independent Director	Jong Rong Chen	2018/09/10	社團法人台北律師公會 Taipei Bar Association	金管會新版公司治理藍圖研討系列—董事的職與權研討會	3
		2018/07/30	財團法人中華民國證券暨期貨市場發展基金會 Securities & Future Institute, R.O.C.	上市公司內部人股權交易法律遵循宣導說明會	3
Director	Alexander Pan	2018/12/18	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討(下)—美中衝突與 2019 觀察	3
		2018/10/25	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討	3
Director (Representative)	Michael P Yeh	2018/12/18	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討(下)—美中衝突與 2019 觀察	3
		2018/10/25	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討	3
Director	Rong Zing Liu	2018/10/04	社團法人中華民國企業永續發展協會 The Business Council for Sustainable Development of Taiwan (BCSD-Taiwan)	企業社會責任與貿易連結-永續供應鏈管理	3
		2018/07/14	財團法人中華民國證券暨期貨市場發展基金會	上市公司內部人股權交易法律遵循宣導 說明會	3

Title	Name	Date	Organizing agency	Training/Speech title	Hours
			Securities & Future Institute, R.O.C.		
Director	Lisa Kao	2018/12/18	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討(下)—美中衝突與 2019 觀察	3
		2018/10/25	社團法人中華公司治理協會 Taiwan Corporate Governance Association	企業因應變局新趨勢與問題探討	3
Independent Director	Hui-Erh Yuan	2018/12/21	中華民國會計師公會全國聯合會 Taiwan CPA Association, ROC	審計準則公報 NO.67 關係人及 NO.68 內部 控制缺失之溝通解析	3
		2018/12/19	中華民國會計師公會全國聯合會 Taiwan CPA Association, ROC	資訊揭露與財報不實的董監責任	3
		2018/11/28	中華民國會計師公會全國聯合會 Taiwan CPA Association, ROC	依企業會計準則編製之財務報表及其新式查核報告範例解析	3
Independent Director	Lung Zin Chi	2018/07/30	財團法人中華民國證券暨期貨市場發展基金會 Securities & Future Institute, R.O.C.	上市公司內部人股權交易法律遵循宣導說明會	3
		2018/07/27	財團法人中華民國證券暨期貨市場發展基金會 Securities & Future Institute, R.O.C.	上市公司內部人股權交易法律遵循宣導說明會	3

4.5.3 Key Management Profession Enhancement Status

Profession Enhancement Status of CFO

Title	Name	Date	Organizing agency	Training/Speech title	Hours
CFO	Alexander Pan	2018/11/28	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation	財報弊案「資金流向」之追查及相關法律責任案例探討	3
		2018/06/12	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation	國際財務報導準則第１６號「租賃」（IFRS16）解析	3
		2018/05/11	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation	企業「違法吸金」之法律責任與實務案例解析	3
		2018/05/10	財團法人中華民國會計研究發展基金會 Accounting Research and Development Foundation	企業社會責任(CSR)報導之相關法規、實務與最新趨勢解析	3

Profession Enhancement Status of Chief Auditor

Title	Name	Date	Organizing agency	Training/Speech title	Hours
Chief Auditor	Elsa Chiao	2018/10/18	The Institute of Internal Auditors-Chinese Taiwan	IFRS16 租賃＆９ 金融工具簡介及查核作業重點	6
		2018/03/30	The Institute of Internal Auditors-Chinese Taiwan	數位時代環境下的內稽內控實務	6

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

Insured Object	Insurance Company	Insurance Amount (NT$)	Insurance Period	Status	Date of Board meeting	Note
All Directors and Supervisors	AIG Taiwan	Around NT$ 237,120,000.	From 2018/11/01 to 2019/11/01	Continued	2019/03/28	The Insurance Amount is US$ 8,000,000.

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

4.6.1. Information of the Remuneration Committee Members

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.

4.6.2. Executive Status of the Remuneration Committee

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

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

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

Other matters of importance:

1. Instances where the Board of Directors declines to adopt, or attempts to modify, recommendations from the remuneration committee: None. Any objection should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (for example, where the remuneration passed by the Board of Directors exceeds the recommendations of the remuneration committee, the circumstances and reasons for the difference of opinions shall be specified): None
2. Instances where resolutions of the remuneration committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion are specified): None.

4.7 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. 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.				

4.8 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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?	✓ ✓ ✓		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.	None
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?	✓ ✓		(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.	None

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				

4.9 Internal Control System Execution Status

4.9.1. Statement on Internal Control

(九)內部控制制度執行狀況

1. 內部控制聲明書

客思達股份有限公司
內部控制制度聲明書

日期：108年3月28日

本公司民國107年1月1日至民國107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107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108年3月28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：高黎莎　　簽章

總經理：葉伯璘　　簽章

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

2. 內部控制制度專案審查報告

客思達股份有限公司
內部控制制度審查報告

後附客思達股份有限公司及其子公司民國 108 年 3 月 28 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 107 年 1 月 1 日至 107 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 107 年 1 月 1 日至 107 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 108 年 3 月 28 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 許文紂 潘慧玲

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
前財政部證券暨期貨管理委員會
核准簽證文號：(88)台財證(六)第 95577 號

中 華 民 國 1 0 8 年 3 月 2 8 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".
Shareholders' Meeting	2017/6/26	1. To approve 2017 final accounting books and financial statements (including business report). **Implementation:** the announcement and filing pursuant to related regulations completed. 2. To approve the proposal for distribution of 2017 profits. **Implementation:** to distribute cash dividend of NT$ 22,966,709, the record date for distributing dividends on 2018/8/22, and issued on 2018/9/20. 3. To elect new Directors of the Company (The term of the newly elected eleven Directors, including three Independent Directors). **Implementation:** implemented according to the resolution of the shareholders' meeting. 4. To release the non-competition restriction on Directors. **Implementation:** implemented according to the resolution of the shareholders' meeting.

4.11.2. Major Resolution of Board Meetings

	Date	Resolution of the Board Meetings
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

	Date	Resolution of the Board Meetings
		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.
Board Meeting	2018/6/12	1. Election of the Chairperson of the 2nd term Board of Directors.
Board Meeting	2018/8/10	1. To discuss and approve the Q2 2018 consolidated financial statements. 2.To discuss and approve the capital lending to COA, Inc., with a maximum amount of US$ 3 million. 3.To discuss and approve the capital lending to COA Asia, Inc., , with a maximum amount of US$ 3 million. 4. To discuss and approve the appointment of the members of the Company’s Remuneration Committee.
Board Meeting	2018/11/9	1. Year 2019 Audit Plan. 2. Amendment to Aeest Lease related procedures of the “Internal Control System” of the Company.
Board Meeting	2019/3/28	1. 2018 Business Report and the Consolidated Financial Statements for the year ended December 31, 2018. 2. The Proposal for the Surplus Earning Distribution and/or the Loss Offsetting of 2018. 3. The assessment result of independence and suitability of the CPA engaged by the company regularly. 4. The Declaration of Internal Control System of the Company (2018/1/1~2018/12/31) 5. Amendment to the ‘Operational procedures for Acquisition and Disposal of Assets’, ‘Operational Procedures for Derivatives Trading’, ‘Operational Procedures for Loaning of Company Funds’ and ‘Operational Procedures for Endorsements and Guarantees’. 6. Amendment to the “Procedural Rules of Board Meetings” 7. Amendment to the “Memorandum and Articles” of the Company.

	Date	Resolution of the Board Meetings
		8. The dates, agenda of the Company's 2019 Annual Shareholders' Meeting.
Board Meeting	2018/5/10	1. The extension of inter-company loans of funds – COA Asia, Inc. capital lending to COA, Inc., US$ 5 million. 2. Amendment to the "Procedural Rules of Board Meetings" 3. Information of convening a regular shareholders meeting to handle shareholder proposals, and the Format of Proxies for Attendance at Shareholder Meeting.

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 Penny Pan	8,737	-	-	-	866	866	2018.1.1~ 2018.12.31	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 Penny Pan.

6.1 Regarding the former certified public accountant:

Date	2018.5.11		
Reason for replacement of the certified public accountant	For the accounting firm's job rotation.		
whether it was the CPA that voluntarily	Party	CPA	The Company

<table>
<tr><td rowspan="3">ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement</td><td>Cases</td><td colspan="2"></td><td></td></tr>
<tr><td>voluntarily ended the engagement/terminated the engagement</td><td colspan="2">Not applicable.</td><td>Not applicable.</td></tr>
<tr><td>declined further engagement/ discontinued the engagement</td><td colspan="2">Not applicable.</td><td>Not applicable.</td></tr>
<tr><td>If the former certified public accountant issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.</td><td colspan="4">None.</td></tr>
<tr><td rowspan="6">Indicate whether there was any disagreement between the company and the former CPA</td><td rowspan="4">Yes</td><td></td><td colspan="2">relating to accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">relating to financial report disclosure</td></tr>
<tr><td></td><td colspan="2">relating to auditing scope or procedure</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td>Description</td><td colspan="3">Not applicable.</td></tr>
<tr><td>Other Disclosure Items</td><td colspan="4">None</td></tr>
</table>

6.2 Regarding the successor certified public accountant:

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

6.3 The reply letter from the former CPA pursuant to related rugulations : None.

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

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

8.1 Shareholding Variation:

Title	Name	2017		2018		2019/1/1 ~2019/4/27	
		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	6,000	0	88,000	0	6,000	0
Director	Rong Zing Liu	0	0	0	0	0	0
Independent Director	Hui-Erh Yuan	0	0	0	0	0	0
Independent Director	Jong Rong Chen	0	0	0	0	0	0
Independent Director	Lung Zin Chi	0	0	0	0	0	0
Major Shareholder	Yeh Family Limited Partnership, LP	0	0	0	0	0	0
Major Shareholder	YSC Limited Partnership, LP	0	0	0	0	0	0
Major Shareholder	YJM Family Limited Partnership, LP	0	0	0	0	0	0
VP	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

Title	Name	2017		2018		2019/1/1 ~2019/4/27	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chief Auditor	Elsa Chiao	0	0	0	0	0	0

8.2 Shareholding Transferred：None.

8.3 Shareholding Pledged：None.

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

2019/4/27

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Yeko LLC (Members：Lisa Kao、Michael P Yeh)	26,172,351	34.19	0	0	0	0	Yeh Family Limited Partnership, LP	within 2 degrees of consanguinity to each other
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
Yeh Family Limited Partnership, LP (Partnership：Lisa Kao、Michael P Yeh)	18,977,649	24.79	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
YSC Limited Partnership, LP (Partnership：Lisa Kao、Michael P Yeh)	7,503,000	9.80	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
YJM Family Limited Partnership, LP (Partnership：Lisa Kao)	7,497,000	9.79	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YSC Limited Partnership, LP	
							Kayeh Management Limited Partnership, LP	
Investment Fund of Kayeh Management Limited Partnership, LP (Custodian institution: CTBC Bank)	6,473,696	8.46	0	0	0	0	Yeko LLC	within 2 degrees of consanguinity to each other
							Yeh Family Limited Partnership, LP	
							YSC Limited Partnership, LP	
							YJM Family Limited Partnership, LP	
林世裕 Lin Shiyu (Transliteration)	662,000	0.86	0	0	0	0	None	None
卓煥庭 Zhuo Huanting (Transliteration)	585,000	0.76	0	0	0	0	None	None

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
呂蔡素靜 LuCai SuJing (Transliteration)	548,000	0.72	0	0	0	0	None	None
中國信託商業銀行受託保管客思達 (股)外籍員工讓受、認購及配發有價證券集合投資專戶 Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank)	429,000	0.56	0	0	0	0	None	None
陳宥安 Chen YuAn (Transliteration)	247,000	0.32	0	0	0	0	None	None

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

2018/12/31; share; %

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

Note: 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

2019/4/27

Types / Amounts	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Foreign Persons	Domestic Citizens	Treasury Stock	Total
Numbers	0	0	4	18	1,047	1	1,070
Shares	0	0	48,000	67,443,696	8,564,000	500,000	76,555,696
Shareholding ratio (%)	0	0	0.06	88.10	11.19	0.65	100.00

1.3 Distribution Profile of Share Ownership

2019/4/27

Level	Number of shareholders	Shares	%
1 ~ 999	56	5,418	0.01
1,000 ~ 5,000	781	1,516,482	1.98
5,001 ~ 10,000	103	864,100	1.13
10,001 ~ 15,000	29	383,000	0.50
15,001 ~ 20,000	29	546,000	0.71
20,001 ~ 30,000	20	539,000	0.70
30,001 ~ 40,000	13	457,000	0.60
40,001 ~ 50,000	6	279,000	0.36
50,001 ~ 100,000	13	844,000	1.10
100,001 ~ 200,000	7	1,097,000	1.43
200,001 ~ 400,000	3	677,000	0.88
400,001 ~ 1,000,000	5	2,724,000	3.56
1,000,001 and above	5	66,623,696	87.04
Total	1,070	76,555,696	100.00

1.4 Major Shareholders

2019/4/27

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)	6,473,696	8.46
林世裕 Lin Shiyu (Transliteration)	662,000	0.86
卓煥庭 Zhuo Huanting (Transliteration)	585,000	0.76
呂蔡素靜 LuCai SuJing (Transliteration)	548,000	0.72
中國信託商業銀行受託保管客思達 (股)外籍員工讓受、認購及配發有價證券集合投資專戶 Collective investment account of the offshore subsidiary Employees (Custodian institution: CTBC Bank)	429,000	0.56
陳宥安 Chen YuAn (Transliteration)	247,000	0.32

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

NT$'000; shares

Item / Year			2017	2018	2019 (as of March 31)
Share price	High		52.4	32.30	26.85
	Low		30.05	24.30	25.30
	Average		40.01	27.53	26.40
Net Value per share	Before distribution		35.75	36.33	35.82
	After distribution		35.75	36.33 (Note 1)	-
Earnings per share	Weighted-average outstanding shares		76,556	76,225	76,055
	Basic EPS		0.37	(0.29)	0.16
	Retroactively adjusted EPS		-	-	-
	Diluted EPS		0.35	(0.29)	0.15
Dividend per share	Cash dividend		0.3 (Note 1)	(Note 1)	-
	Stock dividend	Distribution of surplus	-	-	-
		Additional Paid-In Capital	-	-	-
	Accumulated un-distributed dividend		-	-	-
Return on Investment	Price / Earnings ratio (Note 3)		108.14		-
	Price / Dividend ratio (Note 4)		133.37		-
	Cash Dividend yield (Note 5)		0.75%		-

Note 1: To be resolved by the Annual General Meeting.
Note 2: Data source derived from TWSE website

Note 3: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.
Note 4: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.
Note 5: 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 2018 profits to be approved at the Shareholders' Meeting: The Surplus Earning Distribution and/or the Loss Offsetting Proposals of 2018 was resolved in the meeting on 28 March 2019 by the Board of Directors, that the Company decides not to distribute dividends.

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

1.8 Employees' Compensation and Directors' Remuneration

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

Please refer to page 60, 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 2018 employees' compensation and Directors' remuneration was resolved in the meeting on 28 March 2019 by the Board of Directors, and will be submitted to the shareholders' meeting. The Company decides not to distribute dividends and additional directors and employees compensation.

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

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 2017.

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

2019/3/31

Issuance of Employee Stock Options	First Grant
Approval Date by The Securities & Futures Bureau	2016/8/4
Issue (Grant) Date	2015/10/2
Option Duration	7 years
Number of Options Granted	4,294
Percentage of Shares Exercisable to Outstanding Common Shares	5.61 %
Option Duration	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

Value of Shares Exercised (NT$)	0
Invaild / Expired	1,002,000 shares
Shares Unexercised	3,292,000 shares
Grant Price Per Share (NT$)	NT$ 36.0
Percentage of Shares Unexercised to Outstanding Common Shares（%）	4.30%
Impact to Shareholders’ Equity	Dilution to Shareholders’ Equity is limited

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

5.2.1 Employee Stock Options Granted to Management Team

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

5.2.2 Employee Stock Options Granted to Top 10 Employees

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT$)	% of Shares Unexercised to Outstanding Common Shares
Employees	Senior Director (Note)	Alice Chang	1,296,000	1.69	-	-	-	-	1,296,000	NT $ 36.0	46,656,000	1.69
	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	2017		2018		2019 Q1	
	Amount	%	Amount	%	Amount	%
Indoor Furniture Sales Revenue	11,829,368	99.30	11,930,750	99.31	2,945,390	99.40
Others	83,674	0.70	82,706	0.69	17,755	0.60
Total	11,913,042	100.00	12,013,456	100.00	2,963,145	100.00

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

1.1.3 Coaster Products and Services

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

1.1.4 New Products and Srevices under Development

Coaster provides competitive products and innovative solutions that meet or exceed the expectation of its dealers and consumers. Coaster develops new product lines with styles and prices that are attractive to younger generation consumers (i.e., Generation Millennium), including the introduction of a new product line series. In 2019, Coaster introduced new and diverse collections with sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations. With multiple product lines, tailored solutions for distribution and marketing, Coaster is well-positioned to further penetrate U.S. furniture market.

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

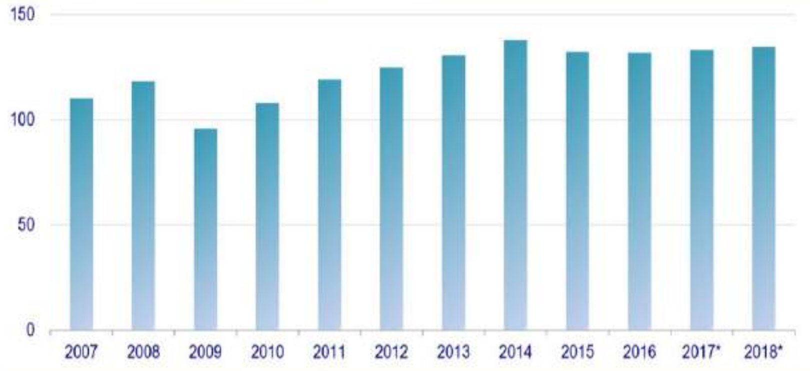
Coaster sources furniture products from Asia factories for worldwide distribution. Most of Coaster customers operated in the United States. A brief summary of the status of the furniture industry.

(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》)

Figure 4. World trade of furniture. Current US$ billion

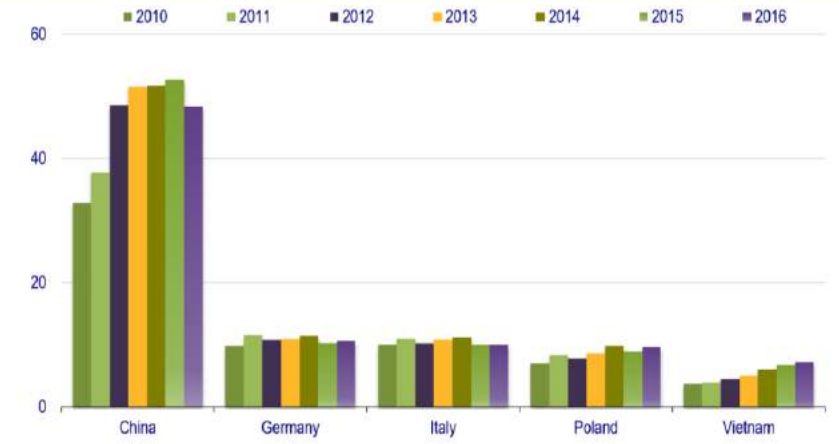


Source: CSIL * projected

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.

Figure 3. Major furniture exporting countries. Exports, 2010-2016. Current US$ billion



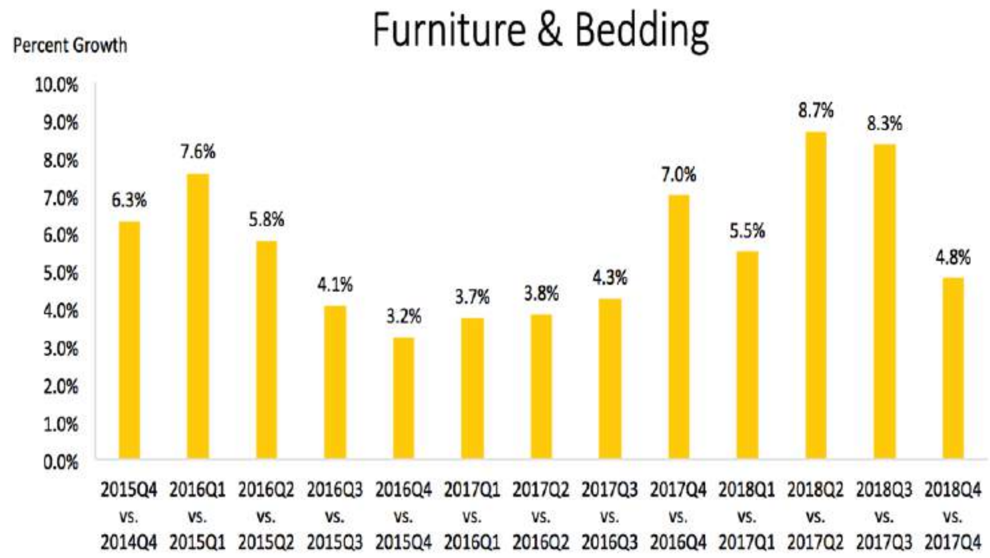
Source: CSIL processing of United Nations, Eurostat and national data

(2) U.S. Furniture Industry:

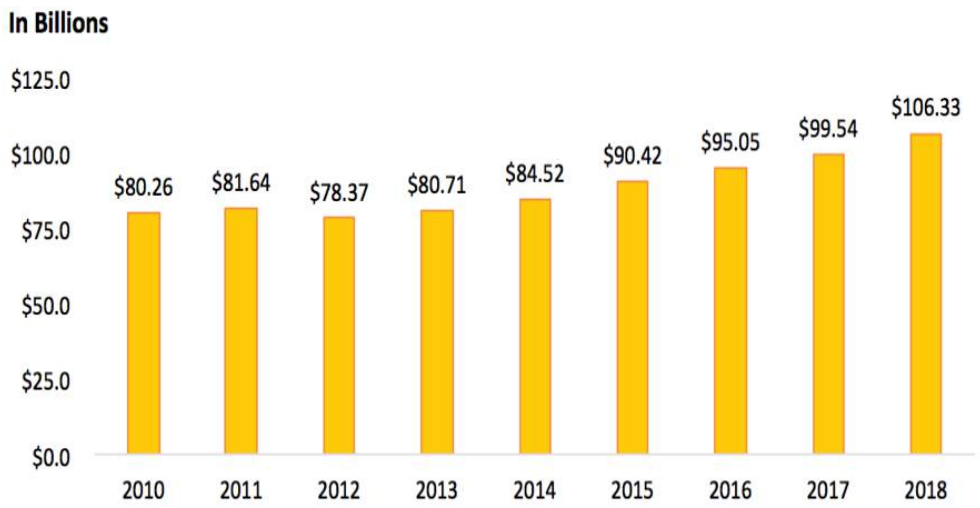
Currently, U.S. is Coaster’s primary market. In 2017 and 2018, U.S. sales revenue accounts for 98.62% and 98.07% of Coaster’s worldwide net sales respectively.

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

Per 《FurnitureCore.com》, the second and third quarters of 2018 saw growth in combined furniture and bedding sales exceed 8 percent compared to 2017. In the fourth quarter, however, performance slowed in both product categories to 4.8 percent growth over the same quarter of last year. Compared to the previous third quarter, sales fell slightly by 0.9 percent. Year end industry sales of total furniture and bedding products sold in the U.S. totaled $106.33 billion in 2018, an increase of 6.8 percent over 2017.



Source: Impact Consulting Services, Inc.'s FurnitureCore.com industry model
Note: 2010 to 2018 data updated based on revisions by the U.S. Department of Commerce, Bureau of Economic Analysis, Personal Consumption Expenditures survey.



Source: Impact Consulting Services, Inc.'s FurnitureCore.com industry model
Note: 2010 to 2018 data updated based on revisions by the U.S. Department of Commerce, Bureau of Economic Analysis, Personal Consumption Expenditures survey.

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

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

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

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

1.2.2 Furniture Supply Chain Stakeholders

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

<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 furniture products from over a hundred of overseas factories for U.S. warehousing and distribution. Coaster's customers include over 8,000 of U.S. independent furniture retailers, mass merchants, and mainstream U.S. ecommerce retailers.

1.2.3 Trend of Furniture Industry

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

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

1.2.4 Market Competitions

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

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

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

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

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

Coaster focuses on developing the following core competency:

(1) Effectively managed supply chain to ensure the reliability of sourcing quality.

(2) Ability to design products responsively in meeting market trend and demands.

(3) Well-established distribution network facilitates transfer of inventory timely.

(4) Proprietary transaction systems provide convenient and efficiency.

(5) Tailored programs enable products shipped from factories to customers worldwide.

1.3 Development of Technology and Products

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

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

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

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

1.4.1 Short-term goals

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

(2) Facilitating qualified furniture retailers with special tailored products and marketing programs by granting qualified dealers with exclusive regional distribution privilege (“Managed Distribution Program”). Coaster develops competitive products that satisfy the procurement and marketing requirements of regional furniture retailers. On territorial basis, Coaster offers “exclusive distribution” benefits to certain qualified retailers. Dealers can easily integrate Coaster programs into their existing retail-pricing models.

(3) Standardizing QC inspector training program and enriching QC management talents. Coaster constantly assesses the effectiveness of its QC inspection procedures, investigates and mitigates the causes of defective production, documents factory delivery consistency, and

periodically performs factory evaluation. The goal is to boost Coaster brand to penetrate other major distribution channels.

1.4.2 Mid- and Long-Term Goals:

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

(1) Coaster will build a comprehensive database to enable more detailed data analysis and support the decision-making of supply chain management. The database retains related information on product, sales, operation, and industry.

(2) Coaster will explore foreign furniture market opportunities: By leveraging know-how on supply-chain operation, Coaster will explore furniture market opportunities outside of the America.

(3) Coaster will initiate the process of business process automation: By leveraging big-data technology to support decision-making and managing the dynamic of market challenges and opportunities.

2. Market and Sales Overview

2.1 Market Analysis

2.1.1 Main Products and Service Areas

NT$' 000；%

Year / Region	2017		2018		2019 Q1	
	Amount	%	Amount	%	Amount	%
USA	11,748,155	98.62	11,781,643	98.07	2,910,504	98.22
Others	164,887	1.38	231,813	1.93	52,641	1.78
Subtotal	11,913,042	100.00	12,013,456	100.00	2,963,145	100.00

2.1.2 Market Share

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

U.S. furniture market is relatively diversified. Currently, there are few dominated lead U.S. furniture suppliers. Per Coaster assessment, within the mid-price point indoor-furniture category, 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.

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, In 2019, Coaster introduced new and diverse collections with sub-brands, CoasterEveryday, CoasterEssence, and CoasterElevations. With multiple product lines, tailored solutions for distribution and marketing, Coaster is well-positioned to further penetrate U.S. furniture market. By segregating the U.S. furniture market with product lines and distribution models, Coaster can more effectively penetrate this world's largest furniture consumer market: United States.

b. Multiple Distribution Channels:

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

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

c. U.S. Furniture Market Depth

As the world largest furniture consumption market, U.S. furniture industry provides a reliable infrastructure for marketing, logistics and channel distribution. The well-structured U.S. furniture industry enables manufacturers, distributors, and retailers focus on targeted segments of the market and provide consumers with better products and services.

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

d. Well-Positioned Warehouses in U.S.

In 1981, Coaster established its first warehouse in Los Angeles to support the needs of its local dealers. Since 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

Exposure and Challenge:

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

In general, the strength of independent furniture retailers is their ability to deeper penetrates and services U.S. consumers geographically. Independent furniture stores rely on Coaster inventory and marketing material to close sales. However, many independent furniture retailers are constrained with ecommerce marketing and technology-enabled retailing.

Exposure Mitigation:

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

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

b. Longer Lead Time of Overseas Sourcing:

<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

<u>Exposure and Challenge:</u>

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.

<u>Exposure Mitigation:</u>

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

<u>Exposure and Challenge:</u>

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.

<u>Exposure Mitigation:</u>

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	2017				2018			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Bedroom	0	0	969,458	4,142,699	0	0	985,298	4,297,682
Living Room	0	0	611,391	3,237,509	0	0	613,054	3,394,860
Dining Room	0	0	521,785	1,912,985	0	0	462,416	1,782,869
Accents Group	0	0	476,061	1,307,047	0	0	432,087	1,217,082
Home Office	0	0	235,650	808,576	0	0	241,002	825,845
Recreation Room	0	0	146,188	364,607	0	0	155,075	417,320
Office Furniture	0	0	25	55	0	0	60	45
Others	0	0	110,839	55,890	0	0	113,436	77,753
Subtotal	0	0	3,071,395	11,829,368	0	0	3,002,427	12,013,456

Variance Analysis：

During the reporting period of 2017 to 2018, 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		2017	2018	April 30, 2019
Number of Employees	Managers	92	98	96
	Direct employees	496	314	318
	Common employees	244	376	377
	Total	832	788	791
Average Age (years)		41.68	42.51	42.16
Average Years of Service (years)		6.77	7.60	7.08
Education	Master and Ph.D.	20	20	22
	College	354	328	321
	High School	458	440	448

4. Environmental Protection Expenditure

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

5. Labor Relationship

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

5.1.1 Fringe Benefit Programs

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

5.1.2 Human Resource Development and Staff Training

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

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

5.1.3 Retirement Programs

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

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

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

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

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

5.1.4 Labor Contracts, Disputes and protection of employee benefits

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

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

None.

6. Important Contracts and Agreements

6.1 Coaster International Co., Ltd.

Transaction	Counter Party	Period	Major Contents	Covenants
Information Systems Agreement	Data System Consulting Co., Ltd.	2015/10/30 Effective Date	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 (Eighth Amendment from 2018/12/31 to 2019/11/1)	Credit Agreement, including the Credit Line, Revolving Line and other terms.	Guaranteed with the Inventory, facility, Account Receivable and other Assets of COA.
Collection Factoring and Security Agreement	BB&T Factors Corporation, changed to Rothensal & Rothensal on 2018/1/31	Effective from 2002/11/2 (May extend for each additional full year with mutual agreements)	Accounting Receivable Factoring and terms of transfer.	None
Business Credit Insurance	Euler Hermes North America	2018/3/1-2019/2/28	The Credit Insurance of Accounting Receivable	None
Leasing Agreement	Majestic Realty Co. & FAIRWAY SUB E, LLC	2011/1/7-2016/6/30 2016/7/1~2021/06/30	Los Angeles Branch Lease Agreement	None
Leasing Agreement	DCTGRAND RIVER LP	2015/9/1-2022/8/31	Texas Branch Lease Agreement	None
Leasing Agreement	Matrix Stults Road Associates, LLC	2011/7/1-2016/6/30 2016/7/1~2021/6/30	New Jersey Branch Lease Agreement	None
Leasing Agreement	Majestic South Fulton Building 1, LLC & NM Majestic Holdings, LLC	2014/9/1-2019/8/31	Atlanta Branch Lease Agreement	None
Leasing Agreement	Prologis Targeted U.S. Logistics Fund, LP	2018/9/1-2023/8/31	Chicago Branch Lease Agreement	None

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

VI. Financial Information

1. Five-Year Financial Summary

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

1.Condensed Consolidated Balance Sheets

NT$' 000

Item \ Year		Financial Information in Recent 5 years					2019 Q1
		2014 (Pro forma)	2015	2016	2017	2018	
Current Assets		4,488,967	4,716,618	4,366,890	4,971,743	4,437,329	4,328,080
Property, Plant and Equipment		130,442	148,684	126,859	106,634	98,284	115,098
Intangible Assets		249	24,813	41,797	35,509	43,206	46,926
Other Assets		374,909	410,143	410,980	316,971	341,058	2,386,599
Total Assets		4,994,567	5,300,258	4,946,526	5,430,857	4,919,877	6,876,703
Current Liabilities	Before Distribution	2,588,747	2,539,928	1,554,689	2,557,090	2,027,724	2,304,474
	After Distribution	2,588,747	2,539,928	1,860,912	2,580,057	(Note1)	(Note1)
Noncurrent Liabilities		55,487	110,401	116,952	137,045	129,429	1,847,778
Total Liabilities	Before Distribution	2,644,234	2,650,329	1,671,641	2,694,135	2,157,153	4,152,252
	After Distribution	2,644,234	2,650,329	1,977,864	2, 717, 102	(Note1)	(Note1)
Equity Attributable to Shareholders of the Parent		2,350,321	2,649,929	3,274,885	2,736,722	2,762,724	2,724,451
Capital Stock		605,292	665,557	765,557	765,557	765,557	765,557
Prepayment of capital		160,265	0	0	0	0	0
Capital Surplus		1,399,506	1,532,819	1,777,791	1,786,070	1,789,584	1,790,019
Retained Earnings	Before Distribution	163,954	338,240	639,541	359,636	316,183	249,825
	After Distribution	163,954	338,240	333,318	336, 669	(Note1)	(Note1)
Others		21,304	113,313	91,996	(174,541)	(95,752)	(68,102)
Treasury stocks		0	0	0	0	(12,824)	(12,848)
Noncontrolling interests		12	0	0	0	0	0
Total Equity	Before Distribution	2,350,333	2,649,929	3,274,885	2,736,722	2,762,724	2,724,451
	After Distribution	2,350,333	2,649,929	2,968,662	2, 713, 755	(Note1)	(Note1)

Note 1：The proposal will be effective upon the approval of the Annual General Meeting.

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

NT$’ 000

Item \ Year	Financial Information in Recent 5 years					2019 Q1
	2014（Pro forma）	2015	2016	2017	2018	
Operating revenues	10,761,683	11,655,099	12,200,847	11,913,042	12,013,456	2,963,145
Gross profit	3,125,147	3,405,279	3,771,925	3,562,475	3,318,535	860,375
Operating profit	283,078	329,315	534,227	291,455	(2,468)	25,744
Non-operating income and expenses	(27,251)	(37,565)	(35,902)	(63,563)	(47,171)	(12,583)
Profit before income tax	255,827	291,750	498,325	227,892	(49,639)	13,161
Profit for the year	163,834	177,584	348,815	28,531	(21,950)	11,824
Other comprehensive income (loss)	120,938	88,730	(22,351)	(268,750)	80,253	27,650
Total comprehensive income (loss)	284,772	266,314	326,464	(240,219)	58,303	39,474
Net income attributable to owner of the Company	163,716	177,585	348,815	28,531	(21,950)	11,824
Net income (loss) attributable to non-controlling interests	118	(1)	0	0	0	0
Total comprehensive income attributable to owner of the Company	284,649	266,315	326,464	(240,219)	58,303	39,474
Total comprehensive income (loss) attributable to non-controlling interest	123	(1)	0	0	0	0
EPS (Note)	8.16	2.67	5.03	0.37	(0.29)	0.16
Retrospective Adjustment to EPS (NT$)	2.72 (Note)		-	-	-	-

Note：Using the sum of retroactively adjusted outstanding common stocks to calculate, the EPS of 2014 was 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
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	-
2018	Audrey Tseng, Penny Pan	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: For the accounting firm's job rotation, starting from the 1st quarter of 2018, the CPA of the Company are Audrey Tseng and Penny Pan.

2. Financial Ratio Analysis -- IFRS

2.1 Financial Ratio Analysis (Consolidated)

Item \ Year		Financial Ratio Analysis for Recent 5 years					
		2014 (Note1)	2015	2016	2017	2018	2019 Q1
Financial structure (%)	Ratio of liabilities to assets	52.94	50.00	33.79	49.61	43.85	60.38
	Ratio of long-term capital to property, plant and equipment	1,844.36	1,856.51	2,673.71	2,694.98	2,942.65	3,972.47
Liquidity analysis (%)	Current ratio	173.40	185.70	280.89	194.43	218.83	187.81
	Quick ratio	33.70	38.34	92.56	46.17	64.81	56.77
	Interest coverage ratio (times)	2,035.00	1,568.00	3,181.41	1,096.34	(62.28)	158.52
Operating ability	Receivables turnover (time) (Note2)	16.83	15.21	15.06	14.32	14.19	14.06
	Average collection period (days) (Note2)	21.68	23.99	24.23	25.48	25.72	25.96
	Inventory turnover (times)	2.60	2.31	2.61	2.57	2.60	2.85
	Payables turnover (times)	8.36	10.86	12.85	12.98	13.63	14.87
	Average sales days (days)	140.38	158.00	139.84	142.02	140.38	128.07
	Property, plant and equipment turnover (times)	87.86	83.51	88.56	102.04	117.25	111.09
	Total assets turnover (times)	2.51	2.26	2.38	2.30	2.32	2.01
Profitability analysis	Return on total assets（%）	4.01	3.68	7.03	0.61	(0.16)	2.17
	Return on shareholders' equity（%）	7.70	7.10	11.77	0.95	(0.80)	1.72
	Net Income Ratio（%）	1.52	1.52	2.86	0.24	(0.18)	0.40
	Basic EPS (NT$) (Note 5)	8.16	2.67	5.03	0.37	(0.29)	0.16
	Retrospective Adjustment to EPS (NT$) (Note 5)	2.72	-	-	-	-	-
Cash flow	Cash Flow Ratio（%）	Note3	Note3	82.05	Note 3	32.44	1.33

Item	Year	Financial Ratio Analysis for Recent 5 years					
		2014 (Note1)	2015	2016	2017	2018	2019 Q1
	Cash Flow Equivalent Ratio (%)	Note4	Note4	35.78	0.51	Note 3	60.63
	Cash Reinvestment Ratio (%)	Note3	Note3	30.71	Note 3	18.08	0.97
Leverage	Operating Leverage	9.14	9.62	6.34	10.97	Note 3	29.58
	Financial Leverage	1.05	1.06	1.03	1.09	0.07	7.91

Analysis of variation over 20% in recent 2 years:

1. Increase of Quick ratio: Mainly caused by an decrease on short-term bank loans.
2. Decrease of Interest coverage ratio (times), Return on total assets, Return on shareholders' equity, Net Income Ratio, EPS and Financial Leverage: Mainly because the activity of product mix adjustment and an increase on warehouse cost, labor cost, and additional demurrage cost of containers, caused an operational loss of 2018.

Note1：The data for 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 2014 ~ 2018 and 2019 Q1 are NTD 240,839 thousand, 265,989 thousand, 277,523 thousand, 281,399 thousand, 223,674 thousand and 189,348 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 of 2014 were 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 2018 Financial Statement

Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements, 2018 Business Report and proposal for profit and loss appropriation of 2018 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2018 Business Report and proposal for profit and loss appropriation of 2018 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

COASTER INTERNATIONAL CO., LTD.

Chairperson of the Audit Committee

On the date of March 28, 2019

4. The financial statement for the most recent year:

   Please refer to page 120.

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	2017	2018	Difference	
			Amount	%
Current assets	4,971,743	4,437,329	(534,414)	(10.75)
Property, plant and equipment	106,634	98,284	(8,350)	(7.83)
Intangible assets	35,509	43,206	7,697	21.68
Other assets	316,971	341,058	24,087	7.60
Total assets	5,430,857	4,919,877	(510,980)	(9.41)
Current liabilities	2,557,090	2,027,724	(529,366)	(20.70)
Non-current liabilities	137,045	129,429	(7,616)	(5.56)
Total Liabilities	2,694,135	2,157,153	(536,982)	(19.93)
Ordinary share	765,557	765,557	0	0.00
Capital surplus	1,786,070	1,789,584	3,514	0.20
Retained earnings	359,636	316,183	(43,453)	(12.08)
Other equity interest	(174,541)	(108,600)	65,941	(37.78)
Total equity	2,736,722	2,762,724	26,002	0.95

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

1. Decrease of Current Liabilities：Mainly because the repayment of short-term bank loans.
2. Increase 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	2017	2018	Amount of Increase or Decrease	Ratio of Change
Operating revenues	11,913,042	12,013,456	100,414	0.84
Gross profit	3,562,475	3,318,535	(243,940)	(6.85)
Operating expenses	3,271,020	3,321,003	49,983	1.53
Operating income	291,455	(2,468)	(293,923)	(100.85)
Non-operating income and expenses	(63,563)	(47,171)	16,392	(25.79)
Profit before income tax	227,892	(49,639)	(277,531)	(121.78)
Income tax expenses	199,361	(27,689)	(227,050)	(113.89)
Net profit for the year	28,531	(21,950)	(50,481)	(176.93)
Other comprehensive income (loss)	(268,750)	80,253	349,003	NA
Comprehensive income (loss)	(240,219)	58,303	298,522	NA

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

1. Decrease of Operating income, Profit before income tax and Net profit for the year：Mainly because of the activity of product mix adjustment and an increase on warehouse cost, labor cost, and additional demurrage cost of containers.
2. Decrease of Non-operating expenses：Mainly because the anti-dump expenditure of 2017 and it wasn't incurred in 2018.
3. Decrease of Income tax expenses：Mainly because the Net Profit of 2018 decreased and 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 Income：Mainly due to the USD depreciated in 2018, led to an obvious increase 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	2017	2018	Amount of Increase or Decrease	Ratio of Change
Cash flows from operating activities	(751,495)	657,835	1,409,330	NA
Cash flows from investing activities	(19,425)	(33,857)	(14,432)	74.30
Cash flows from financing activities	772,740	(581,948)	(1,354,688)	(175.31)
Analysis of changes in cash flow： (1) Cash inflows from operating activities: Mainly due to the accelerated sales on inventory decreased the inventory level of 2018 year-end. (2) Cash outflows from financing activities: Due to the repayment of short-term bank loans.				

3.2 Remedy for Cash Deficit and Liquidity Analysis:

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

3.3 Cash Flow Analysis for the Coming Year：

3.3.1 Operating activities: With efforts on building up multi-channel furniture distribution network, introduction of new brands and completing its product mix, the Company is cautiously optimistic to create a positive and stable cash flow from operating activities.

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

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

4. Major Capital Expenditure Items

In 2018 the Company spent NT$25.549 million for the procurement of storage facilities in warehouse. The Company has adequate own funds and these expenditures shall benefit operation and had no major impact on its financial position.

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

5.1 Investment Policy in Last Year

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

5.2 Main Causes for Profits or Losses, Improvement plan

NT$' 000

Name of investor	Name of investee	Investment Gain (Loss) Recognized in 2018	Description
Coaster International Co. Ltd.	COA, Inc.	(89,453)	COA, Inc. is the major subsidiary of Coaster group. For completing our product mix to satisfy US consumer needs, caused an increase on warehouse cost, labor cost, and additional demurrage cost of containers.
Coaster International Co. Ltd.	COA Asia, Inc.	104,283	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.	(86)	CFS Global, Inc. is an investment holding company, its subsidiary, CFS(USA), have been merged into COA, Inc. on August 1, 2017.
COA, Inc.	Deliverall Logistics, Inc.	1,768 (Note 1)	For providing transportation service to Coaster group.
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	(655) (Note 2)	For providing service of purchasing, logistics management and QC in Malaysia to Coaster group.
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	(807) (Note 2)	For providing service of purchasing, logistics management and QC in Vietnam to Coaster group, and the investment gain / loss came from its 100% owned subsidiary, Coaster Furniture Service (KunShan) Advisory Company.
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	18,149 (Note 2)	For providing purchasing, logistics management and QC service to Coaster group.
COA Asia, Inc.	Ye Hey Holding Co. Ltd.	(2,084) (Note 2)	For the investment gain / loss came from its 100% owned subsidiary, Ye Hey (ShenZhen) Logistics Service Company.
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture Service (KunShan) Advisory Company	1,084 (Note 3)	For providing service of purchasing, logistics management and QC service in Central China and North China to Coaster group.
Ye Hey Holding Co. Ltd.	Ye Hey (ShenZhen) Logistics Service Company	459 (Note 4)	For providing service of purchasing, logistics management and QC in South China to Coaster group.

Note1: The company recognize the investment gain (loss) through its subsidiary COA, Inc.
Note2: The company recognize the investment gain (loss) through its subsidiary COA Asia, Inc.
Note3: The company recognize the investment gain (loss) through its subsidiary Coaster Furniture (Asia) Service Holdings Ltd.
Note4: The company recognize the investment gain (loss) through its subsidiary Ye Hey Holding Co. Ltd.

5.3 The investment Plans for the Coming Year：None.

6. Analysis of Risk Management

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

6.1.1. Interest Rate

The company have no long-term bank loans but for the need of short-run capital dispatch, the company have agreements with banks for obtain short-term borrowings. In 2018 and 2017, Coaster's interest expenses were NT$ 30,589 thousand and NT$ 22,873 thousand, account for 0.25% and 0.19% 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 76 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'

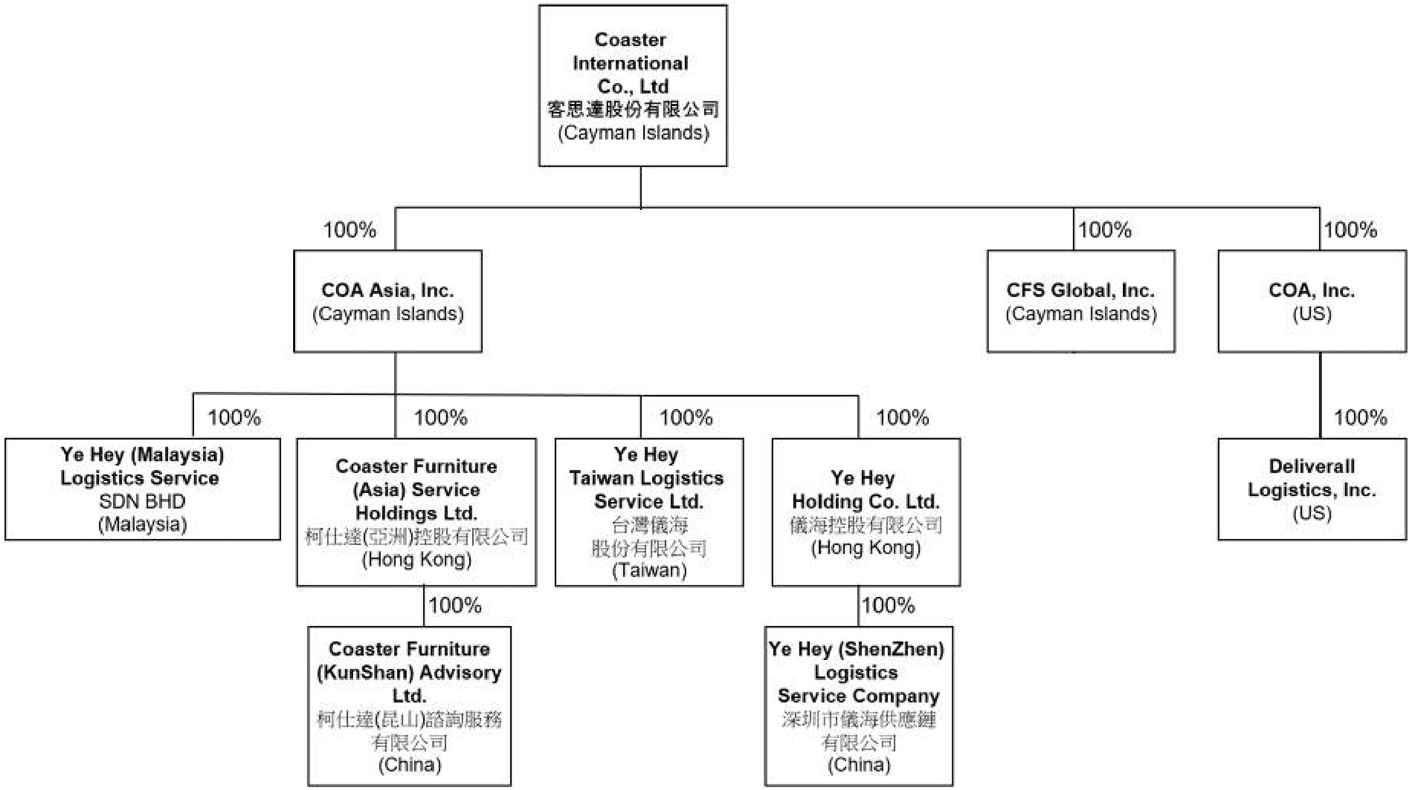
Rights and Interests Protection', there are still many differences in the legal requirements of the two places with respect to company operations. Investors cannot view investing in a Cayman-registered company from the viewpoint of the legal rights applicable to investors investing a Taiwan company,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

2018/12/31

Name of affiliates	Date of Establishment	Address	Paid-in Capital	Main Business
COA, Inc.	1981/2	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA	USD 31,330,000	Trading of furniture
COA Asia, Inc.	2012/6	190 Elgin Avenue George Town Grand Cayman KYI-9005 Cayman Islands	USD 10,000	Trading of furniture / purchasing service
CFS Global, Inc.	2008/4	190 Elgin Avenue, George Town, Grand Cayman KY 1-9005, Cayman Islands	USD 50,000	Investment holding
Deliverall Logistics, Inc.	2011/5	12928 Sandoval Street, Santa Fe Springs, CA 90670, USA	USD 800,000	Transportation service
Ye Hey (Malaysia) Logistics Service SDN BHD	2013/6	No.8 Jalan Cu2,Taman Cheng Utama, 75250 Melaka, Malaysia	MYR 324,603	Purchasing service
Coaster Furniture (Asia) Service Holdings Ltd.	2008/2	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	USD 19,255.45	Investment holding
Ye Hey Taiwan Logistics Service Ltd.	2012/12	7F-1, No.360, Beitun Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	NTD 3,000,000	Trading of furniture / purchasing service
Ye Hey Holding Co. Ltd.	2012/8	Room 1005, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	USD 350,000	Investment holding
Coaster Furniture Service (KunShan) Advisory Company	2008/8	No. 77 ChaoYang Middle Road Kunshan City, Jiangsu Province, China	USD 600,000	Purchasing service
Ye Hey (ShenZhen) Logistics Service Company	2012/12	Block C 103, Coaster Industrial Plant, Lanzhu West Road 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 2018/12/31

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating gain (loss)	Gain/loss of the current year (After tax)	EPS (NT$)
COA, Inc.	957,132	4,488,096	2,204,168	2,283,928	11,706,888	(79,571)	(89,453)	(1.13)
COA Asia, Inc.	306	419,060	23,461	395,599	289,022	87,676	104,283	104,282.97
CFS Global, Inc.	1,528	2,279	0	2,279	0	(94)	(86)	(0.86)
Deliverall Logistics, Inc.	24,440	39,767	5,633	34,134	76,873	2,239	1,768	17,678.76
Ye Hey (Malaysia) Logistics Service SDN BHD	3,052	19,237	3,108	16,129	18,399	(925)	(655)	(2.02)

Name of Companies	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating gain (loss)	Gain/loss of the current year (After tax)	EPS (NT$)
Coaster Furniture (Asia) Service Holdings Ltd.	588	21,469	13,412	8,057	7,773	(1,787)	(807)	(5.38)
Ye Hey Taiwan Logistics Service Ltd.	3,000	92,496	37,906	54,590	54,530	20,827	18,149	60.50
Ye Hey Holding Co. Ltd.	10,693	11,092	10,953	139	0	(2,542)	(2,084)	(5.95)
Coaster Furniture Service (KunShan) Advisory Company	18,330	19,307	1,299	18,008	17,547	984	1,084	Not applicable
Ye Hey (ShenZhen) Logistics Service Company	10,693	15,745	4,694	11,051	41,195	164	459	Not applicable

1.6 Ownership Information of the company's affiliates：

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

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

1.7 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company : Please refer to page 120 on this Annual Report.

1.8 Affiliation Report: Please refer to page120 on this Annual Report.

2. Private Placement Securities in the Latest Year: None

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

4. Other Supplementary Information Required

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

與我國股東權益保障規定重大差異之說明

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

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

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

差異項目 **Differences**	**開曼法令及說明** **Cayman law and description**	**章程規定及說明** **AOA regulations and description**
公司收買自己之股份轉讓予員工者，得限制員工在一定期間內不得轉讓。但其期間最長不得超過二年。 In case of shares of a company purchased by the company to be transferred to its employees, the company may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	庫藏股得由公司董事決定其相關之條款與條件；另開曼公司法並無針對員工獎勵方案的相關規定。 The directors of the company have the discretion to determine terms and conditions on treasury shares; also the Cayman Islands Companies Law ("Companies Law") does not include any requirements on employee incentive plans.	依據公司章程第1規定，庫藏股(Treasury Shares)係指依據本章程、開曼公司法與上市法令發行但經公司買回、贖回或以其他方式取得且未註銷之股份；故將本項內容規定於公司章程<u>**第40D條**</u>；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 <u>**Article 40D**</u> of the AOA. According to the Cayman lawyer, however, the restrictions agreed between the Company and the employee is a contractual matter between themselves.
5. 下列事項，應在股東會召	本公司章程第50條於年報	本公司章程第50條預計於2019

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
集事由中列舉並說明其主要內容，不得以臨時動議提出；其主要內容得置於證券櫃檯買賣中心或證交所或公司指定之網站，並應將其網址載明於召集通知內： 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; material contents of such matters may be uploaded onto the website designated by the TWSE, TPEx or the Company with the address of website indicated in the notice: (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) 減資； Reduction in share capital; (4) 申請停止公開發行； Application for de-registration as a public company; (5) 公司解散、合併、股份	日前尚未及配合臺灣證券交易所股份有限公司於2018年11月30日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列新增「其主要內容得置於證券櫃檯買賣中心或證交所或公司指定之網站，並應將其網址載明於召集通知內」、「減資」及「申請停止公開發行」之規定修正完成。 Article 50 of the AOA is unable to be amended prior to the date of annual report in a timely manner pursuant to the provisions of "material contents of such matters may be uploaded onto the website designated by the TWSE, TPEx or the Company with the address of website indicated in the notice", "Reduction in share capital" and "Application for de-registration as a public company" as newly added in the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on November 30, 2018. 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	年股東常會依據臺灣證券交易所股份有限公司於2018年11月30日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列新增規定修正完成。 Article 50 of the AOA is expected to be amended by the regular shareholders' meeting of 2019 in accordance with the provisions newly added in the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on November 30, 2018. 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 lawyer, with regard to extemporary motion, a notice of shareholders' meeting should specify issues to be discussed at the meeting as

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
轉換、分割； Dissolution, merger, share transfer and split-up of the company; (6) 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； 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; (7) 讓與全部或主要部分之營業或財產； Assignment of all or major business or assets; (8) 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; (9) 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; (10) 董事從事競業禁止行為之許可；	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 lawyer, with regard to extemporary motion, a notice of shareholders' meeting should specify issues to be discussed at the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to	well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting.

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
Approval of performance of activities by director in violation of non-compete restrictions; (11) 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; (12) 將法定盈餘公積及因發行股票溢價或受領贈與所得之資本公積，以發行新股或現金方式，分配與原股東者。 Allocation of legal reserve and additional paid-in capital from the income derived from the issuance of new shares at a premium or from endowments received by the company by issuing new shares or by paying cash to original shareholders through issue of shares.	the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting. Despite of the fact the Cayman law does not include an explicit prohibition on extemporary motion, the Cayman lawyer advised against any extemporary motion at a shareholders' meeting.	
3. 公司以書面或電子方式行使表決權時，其行使方法應載明於股東會召集通知。以書面或電子方式行使表決權之股東，視為親自出席股東會。但就該次股東會之臨時動議及原議案之修正，視為棄權。 When voting rights are to	開曼公司法對第3項內容並無特別規定。 The Companies Law does not have any specific regulations on the requirement under Item 3.	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

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
be exercised in writing or by way of electronic transmission, the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed present at the shareholders' meeting in person, but will be deemed to have waived his or her rights to cast votes on issues proposed by way of an extemporary motion and amendment to an existing proposal.		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 **<u>Article 68</u>** 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 lawyer's opinion, the second part of the requirement under Item 3 is provided in **Article 68** of the AOA (i.e. a shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed to have authorized the chairperson of the meeting to exercise his or her rights at the shareholders' meeting as instructed in the written or electronic instructions, but the shareholder will be deemed to have waived his or her rights to cast votes on issues proposed by way of an extemporary motion and amendment to an existing proposal at the shareholders' meeting, provided that the above authorization shall not work as appointment of agent under the listing regulations).
5. 股東以書面或電子方式行使表決權後，欲親自出席股東會者，應於股東會開會二日前，以與	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	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**<u>第70條</u>**。根據開曼律師表示，在英美普通法(Common

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
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.	requirement under Item 5.	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 **<u>Article 70</u>** 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 enforceable.
4. 委託書送達公司後，股東欲親自出席股東會或欲以書面或電子方式行使表決權者，應於股東會開會二日前，以書面向公司為撤銷委託之通知；逾期撤銷者，以委託代理人出席行使之表決權為準。 If a shareholder decides to attend the shareholders' meeting in person or exercise his or her voting rights in writing or by way of	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,

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
electronic transmission after his or her proxy has been delivered to the company, he or she should issue a written notice to the company to revoke the authorization two days before the shareholders' meeting, or he or she shall still be deemed to have authorized his or her proxy to vote at the meeting.		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	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。 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	(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，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).

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
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	散，另如係無法清償債務而自願解散則應以股東會決議通過(the company in general meeting resolves...)，開曼律師認為前述股東會決議得以普通決議(Ordinary Resolution)、特別決議(Special Resolution)或經公司章程規定之較高的決議方式為之，故在公司章程沒有規定下，普通決議(Ordinary Resolution)通過即可。 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	(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**第 157 條**，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 articles of association shall be approved by special resolution. So the requirement under Item 2 is provided in **Article 157** 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 shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy. (三) 根據開曼公司法第 24 條規定，公司章程之任何變更必須經過股東會特別決議(Special Resolution)；故將第 3 款規定於公司章程第 18 條，即公司章程之變更如有

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
別股股東之權利者，另需經特別股股東會之決議 If an amendment to the memorandum and articles of association will jeopardize the rights and interest of preferred shareholders, the amendment is subject to approval of a preferred shareholders' meeting; 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.	requirements on this matter, an 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.	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 resolution. So the requirement under Item 3 is provided in Article 18 of the AOA, which states that if an amendment to the AOA will jeopardize the rights and interest of preferred shareholders, the amendment must be approved both with special resolution at a ordinary shareholders' meeting and special resolution at a preferred shareholders' meeting. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders 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

差異項目 Differences	開曼法令及說明 Cayman law and description	章程規定及說明 AOA regulations and description
		Resolution)而自願解散，另如屬於無法清償債務時，則應以股東會決議通過(the company in general meeting resolves…)，開曼律師認為前述股東會決議得以普通決議(Ordinary Resolution)、特別決議(Special Resolution)或以公司章程規定之較高的決議方式為之；故將第5款解散部分規定於公司章程**<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 Resolution Type A)或「B 型特別決議」(Supermajority Resolution Type B)(定義見上))為之(**<u>第 33(a)條</u>**)，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(**<u>第 33(b)條</u>**)。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 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,

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**
		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 **<u>Article 33</u>** of the AOA, which states if the Company is subject to voluntary dissolution due to inability to repay debts that are due, the dissolution shall be approved by resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B, as defined above (**<u>Article 33(a)</u>**). If the Company is subject to voluntary dissolution for other reason, the dissolution shall be approved by special resolution (**<u>Article 33(b)</u>**). The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy. (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**<u>第 31 (c)條</u>**。

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
		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 provision on merger under Item 5, according to the Cayman lawyer, as provided under §233(6) of the Companies Law, merger shall be subject to approval by special resolution or handled in accordance with the memorandum and articles of association where the requirement on resolution is otherwise provided in the memorandum and articles of association. So the requirement on merger under Item 5 is provided in **<u>Article 31(C)</u>** of the AOA. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.
監察人相關規定。 Regulations on supervisors.	開曼公司法對監察人無特別規定。 The Companies Law does not have any specific regulations on supervisors.	因本公司未設置監察人，故未修正章程。 The AOA is not amended for this purpose as the Company does not have any supervisor.
1. 繼續六個月以上持有公司已發行股份總數百分之一以上之股東，得以書面請求監察人為公司對董事提起訴訟，並得以臺灣臺北地方法院為第一審管轄法院。	本公司章程第 123 條於年報日前尚未及配合臺灣證券交易所股份有限公司於 2018 年 11 月 30 日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列第 1 項「繼續六個月	本公司章程第123條預計於本公司2019年股東常會依據臺灣證券交易所股份有限公司於2018年11月30日公告之「外國發行人註冊地國股東權益保護事項檢查表」左列第1項規定修正完成。 Article 123 of the AOA is

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**
A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer may request in writing the supervisor to institute an action against the director on behalf of the Company, in which case the Taiwan Taipei District Court shall be the court of first instance. 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.	以上持有公司已發行股份總數百分之一以上之股東」之規定修正完成。 Article 123 of the AOA is unable to be amended prior to the date of annual report in a timely manner pursuant to the provision of " A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer" as set forth in the first paragraph of the left column of the "Checklist of Protection of Shareholders' 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,	expected to be amended by the regular shareholders' meeting of 2019 in accordance with the provisions set forth in the first paragraph of the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on November 30, 2018. 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；另開曼律師表示，公司章程第123條必須符合開曼法律規定，依據開曼法律，如果該董事認為提出訴訟並非對公司有利益，董事並無負有經持股佔1%以上股東請求對其他董事提起訴訟之義務。 The Cayman law does not provide any specific requirement or prohibition, and the Company does not have a supervisor and instead has established the audit committee. With reference to TWSE Tai-Zheng-Shang-Zi No. 1011702189 Letter of July 27, 2012, providing that supervisors shall be replaced by independent directors of the audit committee, the requirement on replacement of supervisors by audit committee

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
	and therefore cannot be ratified by shareholders; or (B) an action constituting fraud against minority shareholders (i.e. the purpose of the action is to seek relief against majority shareholders who will not allow the company to do nothing against the plaintiff to the action seeking relief, provided that the shareholder must prove the occurrence of fraud and that the person engaging in unlawful activities has controlling power over the company before an action may be initiated.) 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	under Items 1 and 2 is provided in Article 123 of the AOA, and the governing court (including the Taiwan Taipei District Court, if applicable) shall have jurisdiction over the matter. Also according to the Cayman lawyer, Article 123 of the AOA must be in consistence with the Cayman law, which states that if the director believes filing of an action is not beneficial to the company, the director shall not be liable to initiate an action against other directors of the company despite of the request of a shareholder holding more than 1% of the shares.
1. 公司之董事應忠實執行業務並盡善良管理人之注意義務，如有違反致公司受有損害者，負損害賠償責任。該行為若係為自己或他人所為時，股東會得以決議，將該行為之所得視為公司之所得。	依據開曼公司法，董事對公司具有忠實義務(fiduciary duties)，如有違反該等義務致公司損害時，法院得判決董事負損害賠償責任；如因屬於為自己或他人而違反忠實義務且有利益，法院得判決	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**<u>第97B條</u>**；惟開曼律師表示，儘管公司章程規定董事與公司負有連帶賠償責任(joint and several liability)，從開曼法律觀點，該第三人仍無法直接對董事主張。 By referring to the Cayman

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
Directors of the company shall have the loyalty and shall exercise the duty of care as good administrators in conducting the business operation of the company. Director shall be liable for damages to the company in the event of a violation of the above. If the act was performed for themselves or others, the shareholders may resolve at a general meeting to treat the gains from the act as the gains of the company. 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 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	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 performance of company business, the third party may claim damages against the company, and the company may further claim compensation by the director for losses arising from the third-person claim. Despite of the fact that the AOA provides directors and the Company	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 lawyer, however, despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman law, a third party cannot directly claim against the director.

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
duties and functions, managers and supervisors of the company shall have the same liability as the directors of 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, 2018 AND 2017

(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.

<u>REPORT OF INDEPENDENT ACCOUNTANTS</u>

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, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(10) for accounting policies on inventory assessment, Note 5(2) for accounting estimates and assumptions applied on inventory assessment, and Note 6(4) for details of allowance for inventory valuation losses. As of December 31, 2018, the balance of inventory amounted to NT$ 3,003,494 thousand, constituting 61% of consolidated total assets.

The Group is primarily engaged in the sales, import and wholesale of furniture. The Group purchases merchandise mainly from Asian suppliers which are then sold to American small and medium local retail stores, online shops and large chain stores. As the Group has many warehouses in America and acts as a logistics center for the sellers to ensure instant and sufficient merchandise supply, inventories are a significant portion of the Group's consolidated total 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, the determination of net realisable value involves significant judgment, and considering that the inventory is material to the financial statements, we identified the allowance for inventory valuation losses a key audit matter.

<u>How our audit addressed the matter</u>

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

A. We assessed the reasonableness of policies on loss for market value decline and obsolete and slow-moving inventories, including the determination basis of net realisable value, the source of historical data of discounts, and the reasonableness of the basis of individually identified obsolete inventories.
B. We obtained an understanding of the inventory management process and observed the annual stock take to assess the effectiveness of management's classification and controls over obsolete and slow-moving inventory.
C. We obtained an understanding of the appropriateness of the logic of the inventory aging statements, and randomly checked the accuracy of inventory aging statements to confirm whether the information on the statements is consistent with its policies.
D. We had discussions with management to assess the reasonableness of expected sales in the future, and verified a sample of separately numbered inventory against the historical data of discounts, compared the sample to prior allowance for inventory valuation losses and referred to subsequent transactions to assess the reasonableness of allowance for inventory valuation losses.

Estimation of refund liabilities

<u>Description</u>

Refund liabilities are the returns and discounts related to product sales. Refer to Note 4(24) for accounting policies, Note 5(2) for accounting estimation and assumptions on refund liabilities, and Note 6(9) for details and movements in refund liabilities.

Due to changes in technology development and consumption behavior, as well as 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 of the Group's total operating revenue. The Group provides ecommerce customers with discounts based on certain amount of sales. The Group calculates sales allowance based on the discount rate on the contract, estimates refund liabilities based on expected sales and periodically adjusts sales allowance based on actual sales.

The estimation of allowance involves a high degree of uncertainty, as the terms, items and rates are varied with different ecommerce firms, and the calculation is subject to management's judgment, including expected percentage of allowance and expected sales. Thus, we consider the estimation of refund liabilities 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 refund liabilities, including the management of sales allowance agreements and the calculation of refund liabilities which was reviewed by the responsible management.
B. We examined the refund liabilities 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 refund liabilities, and randomly assessed the reasonableness of the estimated refund liabilities 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 Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2019

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, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
ASSETS	Notes	December 31, 2018	December 31, 2018	December 31, 2017
Current assets				
Cash and cash equivalents	6(1)	$ 15,141	$ 462,555	$ 348,475
Accounts receivable, net	6(2)	19,710	602,142	537,906
Other receivables	6(3)	7,322	223,675	281,400
Current tax assets		845	25,829	12,917
Inventories, net	6(4)	98,314	3,003,494	3,690,749
Prepayments		3,916	119,634	100,296
Total current assets		145,248	4,437,329	4,971,743
Non-current assets				
Property, plant and equipment, net	6(5)	3,218	98,284	106,634
Intangible assets		1,414	43,206	35,509
Deferred tax assets	6(20)	9,705	296,503	273,853
Refundable deposits		1,458	44,555	43,118
Total non-current assets		15,795	482,548	459,114
TOTAL ASSETS		$ 161,043	$ 4,919,877	$ 5,430,857

(Continued)

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS)

		US Dollars	New Taiwan Dollars	
LIABILITIES AND EQUITY	Notes	December 31, 2018	December 31, 2018	December 31, 2017
Current liabilities				
Short-term borrowings	6(6)	$ 27,630	$ 844,107	$ 1,389,196
Contract liabilities-current		1,666	50,905	-
Notes payable		49	1,491	7,496
Accounts payable		21,677	662,237	605,068
Other payables	6(7)	10,755	328,546	330,078
Other payables-related parties	7	57	1,734	1,749
Current tax liabilities		85	2,587	19,336
Provisions-current	6(8)	2,067	63,159	151,465
Refund liabilities-current	6(9)	2,348	71,739	-
Other current liabilities		40	1,219	52,702
Total current liabilities		66,374	2,027,724	2,557,090
Non-current liabilities				
Deferred tax liabilities	6(20)	6	182	37
Net defined benefit liability, non-current	6(10)	820	25,044	29,149
Other non-current liabilities		3,411	104,203	107,859
Total non-current liabilities		4,237	129,429	137,045
Total liabilities		70,611	2,157,153	2,694,135
Equity				
Ordinary shares	6(12)	25,375	765,557	765,557
Capital surplus		56,079	1,789,584	1,786,070
Retained earnings	6(13)			
Legal reserve		1,806	55,493	52,640
Unappropriated retained earnings		7,734	260,690	306,996
Other equity interest		(128)	(95,752)	(174,541)
Treasury shares	6(12)	(434)	(12,848)	-
Total equity		90,432	2,762,724	2,736,722
Significant contingent liabilities and unrecognised contract commitments	9			
TOTAL LIABILITIES AND EQUITY		$ 161,043	$ 4,919,877	$ 5,430,857

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE DATA)

Items	Notes	US Dollars 2018	New Taiwan Dollars 2018	New Taiwan Dollars 2017
Operating revenue	6(14) and 12(5)	$ 398,755	$ 12,013,456	$ 11,913,042
Operating cost	6(4)(10)(18)(19)	(288,605)	(8,694,921)	(8,350,567)
Gross profit		110,150	3,318,535	3,562,475
Operating expenses	6(10)(18)(19) and 7			
Selling expenses		(76,074)	(2,291,918)	(2,245,505)
General and administrative expenses		(33,923)	(1,021,999)	(1,025,515)
Expected credit losses	12(2)	(235)	(7,086)	-
Total operating expenses		(110,232)	(3,321,003)	(3,271,020)
(Loss) gain from operations		(82)	(2,468)	291,455
Non-operating income and expenses				
Other income	6(15)	206	6,190	3,818
Other gains and losses	6(16)	(75)	(2,246)	(22,429)
Finance cost	6(17)	(1,697)	(51,115)	(44,952)
Total non-operating income and expenses		(1,566)	(47,171)	(63,563)
(Loss) profit before income tax		(1,648)	(49,639)	227,892
Income tax benefit (expense)	6(20)	919	27,689	(199,361)
(Loss) profit for the year		($ 729)	($ 21,950)	$ 28,531
Other comprehensive income (loss)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gain (loss) on remeasurements of defined benefit plans	6(10)	$ 61	$ 1,830	($ 2,666)
Exchange difference on translation of foreign financial statements		-	82,172	(271,924)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(12)	(366)	453
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements		111	(3,383)	5,387
Other comprehensive income (loss), net for tax		$ 160	$ 80,253	($ 268,750)
Total comprehensive income (loss)		($ 569)	$ 58,303	($ 240,219)
(Loss) profit attributable to:				
Owners of parent		($ 729)	($ 21,950)	$ 28,531
Comprehensive income (loss) attributable to:				
Owners of the parent		($ 569)	$ 58,303	($ 240,219)
Basic earnings (loss) per share	6(21)	$ 0.00	($ 0.29)	$ 0.37
Diluted earnings (loss) per share	6(21)	$ 0.00	($ 0.29)	$ 0.35

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

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

			Equity attributable to owners of the parent						
			Capital Surplus		Retained Earnings				
	Notes	Ordinary shares	Issued at a premium	Employee share options	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity
2017									
Balance at January 1, 2017		$ 765,557	$ 1,764,524	$ 13,267	$ 17,758	$ 621,783	$ 91,996	$ -	$ 3,274,885
Profit for the year		-	-	-	-	28,531	-	-	28,531
Other comprehensive loss for the year		-	-	-	-	(2,213)	(266,537)	-	(268,750)
Total comprehensive income (loss) for the year		-	-	-	-	26,318	(266,537)	-	(240,219)
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	-	34,882	(34,882)	-	-	-
Cash dividends		-	-	-	-	(306,223)	-	-	(306,223)
Compensation cost of employee stock options	6(11)	-	-	8,279	-	-	-	-	8,279
Balance at December 31, 2017		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ -	$ 2,736,722
2018									
Balance at January 1, 2018		$ 765,557	$ 1,764,524	$ 21,546	$ 52,640	$ 306,996	($ 174,541)	$ -	$ 2,736,722
Loss for the year		-	-	-	-	(21,950)	-	-	(21,950)
Other comprehensive income for the year		-	-	-	-	1,464	78,789	-	80,253
Total comprehensive income (loss) for the year		-	-	-	-	(20,468)	78,789	-	58,303
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	-	2,853	(2,853)	-	-	-
Cash dividends		-	-	-	-	(22,967)	-	-	(22,967)
Compensation cost of employee stock options	6(11)	-	-	3,514	-	-	-	-	3,514
Purchase of treasury shares	6(12)	-	-	-	-	-	78,789	(12,848)	(12,848)
Balance at December 31, 2018		$ 765,557	$ 1,764,524	$ 25,060	$ 55,493	$ 260,690	($ 95,752)	($ 12,848)	$ 2,762,724

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, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated (loss) profit before income tax for the year		($ 49,639)	$ 227,892
Adjustments to reconcile consolidated (loss) profit before tax to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Expected credit losses	12(2)	7,086	-
Provision for bad debts	12(4)	-	(291)
Depreciation	6(5)(18)	36,046	36,236
Amortisation	6(18)	9,800	2,933
Gain on disposal of property, plant and equipment	6(16)	(205)	(801)
Interest expense	6(17)	30,589	22,873
Interest income	6(15)	(1,284)	(844)
Compensation cost of employee stock options	6(11)	3,514	8,279
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(71,322)	(26,456)
Other receivables		57,725	(2,212)
Prepayments		(28,585)	10,003
Inventories		687,255	(873,114)
Net changes in liabilities relating to operating activities			
Contract liabilities-current		2,241	-
Notes payable		(6,005)	4,699
Accounts payable		57,169	(66,178)
Other payables		(1,532)	2,332
Other payables-related parties		(15)	(43)
Provisions-current		(426)	16,910
Refund liabilities-current		(20,497)	-
Other current liabilities		(2,819)	1,968
Net defined benefit liability, non-current		(2,641)	776
Other non-current liabilities		(3,656)	17,392
Cash generated from (used in) operations		702,799	(617,646)
Interest received		1,284	844
Interest paid		(30,589)	(22,873)
Income tax paid		(15,659)	(111,820)
Net cash flows provided by (used in) operating activities		657,835	(751,495)

(Continued)

COASTER INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		$ 336	$ 1,088
Acquisition of property, plant and equipment	6(5)	(25,549)	(25,398)
Acquisition of intangible assets		(7,207)	(57)
(Increase) decrease in refundable deposits		(1,437)	4,942
Net cash used in investing activities		(33,857)	(19,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		1,129,777	2,097,710
Decrease in short-term borrowings		(1,675,910)	(1,018,747)
Cash dividends paid	6(13)	(22,967)	(306,223)
Purchase of treasury shares	6(12)	(12,848)	-
Net cash (used in) provided by financing activities		(581,948)	772,740
Effect of exchange rate changes on cash and cash equivalents		103,835	(288,238)
Net increase (decrease) in cash and cash equivalents		145,865	(286,418)
Cash and cash equivalents at beginning of year		278,048	564,466
Cash and cash equivalents at end of year		$ 423,913	$ 278,048
Component of Cash and Cash Equivalents:			
Cash and cash equivalents on balance sheet	6(1)	$ 462,555	$ 348,475
Items defined as cash and cash equivalents under IAS No. 7	6(6)	(38,642)	(70,427)
Cash and cash equivalents at end of year		$ 423,913	$ 278,048

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 28, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 financial performance 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 subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(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.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) 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.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Under IFRS 15, estimated sales returns and discounts are recognised as refund liabilities, different from provisions-current as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $89,768.

ii. Under IFRS 15, liabilities relating to sales contracts are recognised as contract liabilities, different from receipts in advance as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to $48,664.

C. 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.

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that right-of-use asset, rent payable-current (classified as other payables) and lease liability will be increased by \$2,151,209, \$2,334 and \$2,304,913, respectively, and deferred rent liability, non-current (classified as other non-current liabilities) and retained earnings will be decreased by \$77,856 and \$78,182, respectively.

(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 IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as 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 recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach and and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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, 2018	Ownership (%) December 31, 2017
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
Coaster Furniture (Asia) Service Holdings Ltd.	Coaster Furniture (KunShan) Advisory Ltd.	Purchasing service	100	100
Ye Hey Holding Co., Ltd.	Ye Hey (ShenZhen) Logistics Service Company	Warehouse and logistic service	100	100

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US Dollars; however, the consolidated financial statements are presented in New Taiwan Dollars under the regulations of the Republic of China where the consolidated financial statements are reported to the regulatory authorities.

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 and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

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

(11) Property, plant and equipment

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

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

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

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

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

(12) Leased assets / operating 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 recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

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

(16) Notes and accounts payable

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

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

(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 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 net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by market interest rates of government bonds (at the balance sheet date).

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

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

C. Employees' bonus and directors' remuneration

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

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

(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. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings in Taiwan subsidiary.

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

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

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

(23) Share capital

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

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

(24) Revenue recognition

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

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

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

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

(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.

(26) Convenience translation into US dollars

As described in Note 4(4), the Company maintains its accounting records and prepares its financial statements in US dollar. Therefore, the US dollar amounts disclosed in consolidated balance sheets and consolidated statements of comprehensive income are according to its book records.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Estimation of refund liabilities

Refund liabilities are the returns and discounts related to furniture sales. Sales allowance is mainly generated from sales through electronic commerce platform, which is calculated according to the discount rate and items on the contract. Sales return is estimated by historical expreience. The estimation of allowance estimates involves a high degree of uncertainly, as the terms, items and rates are varied with different ecommerce firms, and the calculation is subject to management's judgment, including expected percentage of allowance and expected sales. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of December 31, 2018, the Group recognised $71,739 of refund liabilities for sales returns.

B. Evaluation of inventories

The inventories are stated at the lower of cost and net realisable value. For the Group's inventories aged over a certain period, the net realisable value is calculated based on historical data of the degree of discounts required for inventory clearance. Therefore, there might be material changes to the actual sales in the future.

As of December 31, 2018, the carrying amount of inventories was $3,003,494.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 1,554	$ 1,704
Checking accounts and demand deposits	461,001	346,771
Total	$ 462,555	$ 348,475

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, 2018	December 31, 2017
Accounts receivable	$ 623,857	$ 563,755
Less: Allowance for uncollectible accounts	(21,715)	(25,849)
	$ 602,142	$ 537,906

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

	December 31, 2018	December 31, 2017
Not past due	$ 425,404	$ 424,290
Past due		
Up to 30 days	157,694	108,027
31 to 90 days	24,393	16,759
Over 90 days	16,366	14,679
	$ 623,857	$ 563,755

The above ageing analysis was based on past due date.

B. The abovementioned accounts receivable were pledged to the bank as collateral as described in Notes 6(6) and 8.

C. The Group does not hold any collateral.

D. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $602,142 and $537,906, respectively.

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

(3) Other receivables

	December 31, 2018	December 31, 2017
Accounts receivable factoring not due yet	$ 223,674	$ 281,399
Others	1	1
	$ 223,675	$ 281,400

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

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

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

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

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

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

December 31, 2017				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Outstanding balance
Branch Banking & Trust	$ 260,170	$ 260,170	$ -	$ -
Wells Fargo	21,229	21,229	-	-
	$ 281,399	$ 281,399	$ -	$ -

Note: Rosenthal & Rosenthal acquired Branch Banking & Trust on January 31, 2018, so the object was changed to Rosenthal & Rosenthal.

B. The other receivables related to receivable factoring were pledged to banks as described in Notes 6(6) and 8.

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,192,540	($ 104,820)	$ 2,087,720
Inventory in transit	915,774	-	915,774
Total	$ 3,108,314	($ 104,820)	$ 3,003,494

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	$ 2,396,184	($ 90,697)	$ 2,305,487
Inventory in transit	1,385,262	-	1,385,262
Total	$ 3,781,446	($ 90,697)	$ 3,690,749

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

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 8,583,292	$ 8,247,153
Loss on decline in market value	11,181	470
Labor cost	100,448	102,944
	$ 8,694,921	$ 8,350,567

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

(5) Property, plant and equipment

	Buildings	Storage supply	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
January 1, 2018							
Cost	$ 12,875	$182,494	$ 55,538	$ 222,293	$ 111,789	$ 93,882	$ 678,871
Accumulated depreciation	(1,467)	(151,550)	(44,847)	(201,320)	(80,520)	(92,533)	(572,237)
	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
2018							
January 1	$ 11,408	$ 30,944	$ 10,691	$ 20,973	$ 31,269	$ 1,349	$ 106,634
Additions	-	12,782	5,972	2,429	1,374	2,992	25,549
Disposals	-	(54)	-	-	(77)	-	(131)
Reclassifications	-	-	(49)	148	-	-	99
Depreciation charge	(245)	(13,520)	(5,375)	(7,318)	(7,731)	(1,857)	(36,046)
Net exchange	(275)	939	186	443	870	16	2,179
December 31	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284
December 31, 2018							
Cost	$ 12,557	$195,642	$ 62,738	$ 231,362	$ 116,330	$ 99,011	$ 717,640
Accumulated depreciation	(1,669)	(164,551)	(51,313)	(214,687)	(90,625)	(96,511)	(619,356)
	$ 10,888	$ 31,091	$ 11,425	$ 16,675	$ 25,705	$ 2,500	$ 98,284

	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

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

(6) Short-term borrowings

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

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		

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

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

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

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

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

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

Note: As of (i) December 31, 2018, determined on a trailing 3-month basis, (ii) March 31, 2019, determined on a trailing 6-month basis, (iii) June 30, 2019, determined on a trailing 9-month basis, (iv) September 30, 2019, determined on a trailing 12-month basis and (v) each fiscal quarter end thereafter, determined on a rolling 4-quarter basis.

(7) Other payables

	December 31, 2018	December 31, 2017
Salary and wages payable	$ 84,706	$ 89,763
Accrued expenses	75,523	65,436
Accrued employee insurance	15,447	33,282
Accrued royalty	16,333	8,270
Accrued sales commission	19,739	24,023
Others	116,798	109,304
	$ 328,546	$ 330,078

(8) Provisions-current

	Warranty	Sales returns and discounts	Total
2018			
At January 1	$ 61,697	$ 89,768	$ 151,465
Additional provisions	44,339	-	44,339
Used during the year	(44,765)	-	(44,765)
Reclassifications	-	(89,768)	(89,768)
Exchange differences	1,888	-	1,888
At December 31	$ 63,159	$ -	$ 63,159

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

A. Warranty

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

B. Returns and discounts

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

C. Provisions for sales returns and discounts have been reclassified to refund liabilities in accordance with IFRS 15. Details are provided in Note 6(9).

(9) Refund liabilities-current

		Refund liabilities -current
2018		
At January 1	$	-
Adjustments under IFRS 15		89,768
Balance after adjustment as of January 1, 2018		89,768
Additional provisions		153,924
Used during the year	(	174,421)
Exchange differences		2,468
At December 31	$	71,739

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

(10) Pensions

A. Defined benefit plans

(a) Domestic subsidiaries apply defined benefit pension plan in accordance with the Labor Standards Act for its employees who have worked at other associates and whose years of service were 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, 2018		December 31, 2017	
Present value of defined benefit obligations	$	25,044	$	29,149
Fair value of plan assets		-		-
Net defined benefit liability	$	25,044	$	29,149

(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, 2018	($ 29,149)	$ -	($ 29,149)
Interest expense	(360)	-	(360)
	(29,509)	-	(29,509)
Remeasurements:			
Change in demographic assumptions	(7)	-	(7)
Change in financial assumptions	(724)	-	(724)
Experience adjustments	2,561	-	2,561
	1,830	-	1,830
Paid pensions	2,635	-	2,635
December 31, 2018	($ 25,044)	$ -	($ 25,044)

	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)

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

	2018	2017
Discount rate	1.00%	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, 2018				
Effect on present value of defined benefit obligation	($ 724)	$ 752	$ 743	($ 719)

	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)

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

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

(e) Expected contribution to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $0.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 652
1-2 year(s)	642
2-5 years	2,095
Over 5 years	24,400
	$ 27,789

B. Defined contribution plans

(a) The Company's 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 a certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2018 and 2017 was both 20%. Other than the monthly contributions, the Group has no further obligations.

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

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

(e) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $30,431 and $26,057, respectively.

(11) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

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

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

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

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

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

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

	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

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

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (shares in thousands)	Exercise price (in dollars)	No. of shares (shares in thousands)	Exercise price (in dollars)
2015/11/1	2022/10/31	3,292	$ 36	3,749	$ 36

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

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

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

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

	Years ended December 31,	
	2018	2017
Equity-settled	$ 3,514	$ 8,279

(12) Share capital

A. As of December 31, 2018, the Company's authorized capital was $2,000,000, consisting of 200 million shares of ordinary shares, and the paid-in capital was $765,557 with a par value of $10 per share. All proceeds from shares issued have been collected.

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

	2018	2017
At January 1	76,555,696	76,555,696
Purchase of treasury shares	(500,000)	-
At December 31	76,055,696	76,555,696

B. Treasury shares

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

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

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

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

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

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in order of the following to be proposed 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; and

(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 dividends.

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

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

C. On June 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	

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

(14) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 12,013,456

A. Disaggregation of revenue from contracts with customers

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

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

B. Revenue recognised that was included in the contract liability balance at the beginning of the period is $48,664.

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(15) Other income

	Years ended December 31,	
	2018	2017
Interest income	$ 1,284	$ 844
Recovery income	302	620
Gains on write-off of past due payable	1,785	-
Others	2,819	2,354
	$ 6,190	$ 3,818

(16) Other gains and losses

	Years ended December 31,	
	2018	2017
Gain on disposal of assets	$ 205	$ 801
Net exchange gain (loss)	2,846	(6,450)
Anti-dumping duties	-	(12,738)
Others	(5,297)	(4,042)
	($ 2,246)	($ 22,429)

(17) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense	$ 30,589	$ 22,873
Service charge on accounts receivable factoring	20,526	22,079
	$ 51,115	$ 44,952

(18) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 1,406,401	$ 1,474,510
Depreciation charges on property, plant and equipment	$ 36,046	$ 36,236
Amortisation charge	$ 9,800	$ 2,933
Rent expense	$ 596,162	$ 609,880

(19) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 1,199,743	$ 1,259,970
Labor and health insurance fees	105,271	115,412
Pension costs	30,791	26,380
Other personnel expenses	70,596	72,748
	$ 1,406,401	$ 1,474,510

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

B. The Company did not accrue employees' compensation and directors' remuneration in 2018 due to loss incurred. For the year ended December 31, 2017, the Company accrued employees' compensation amounting to $2,325; while directors' remuneration was accrued at $2,325. The aforementioned amounts were recognised as salary expenses.

As resolved by the Board of Directors, the actual distribution of employees' compensation and directors' remuneration in 2017 amounted to $2,325 and $2,325, respectively. The employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax (benefit) expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	($ 12,349)	$ 137,576
Tax on undistributed retained earnings	1,195	1,015
Prior year income tax (over) underestimation	(2,111)	539
Total current tax	(13,265)	139,130
Deferred tax:		
Origination and reversal of temporary differences	(13,488)	(112,218)
Impact of change in tax rate	(936)	172,449
Total deferred tax	(14,424)	60,231
Income tax (benefit) expense	($ 27,689)	$ 199,361

B. Reconciliation between income tax (benefit) expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	($ 29,137)	$ 75,493
Effect of non-deductible expenses or accounted as tax-exempt income as regulated in tax laws	13,741	(8,990)
Change in assessment of realisation of deferred tax assets	-	3,648
Taxable loss	(1,406)	(47,807)
Prior year income tax (over) underestimation	(2,111)	539
Tax on undistributed earnings	1,195	1,015
Impact of change in the tax rate on temporary differences between current year and the year realised	(8,797)	1,570
Separate taxation	664	2,331
Effect of changes in tax regulation	(936)	172,449
Others	(902)	(887)
Income tax (benefit) expense	($ 27,689)	$ 199,361

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:

	2018				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 4,955	$ 419	($ 366)	$ 1	$ 5,009
Allowance for bad debts	6,295	(1,019)	-	179	5,455
Unrealised sales return and discounts	21,860	(4,447)	-	608	18,021
Valuation allowance in inventories	36,329	4,687	-	1,181	42,197
Deferred cost of sale	119,399	(25,083)	-	3,314	97,630
Depreciation and amortisation	12,751	4,589	-	455	17,795
Unrealised expense	72,095	(19,151)	-	1,941	54,885
Unrealised exchange loss	169	-	-	(169)	-
-Tax losses	-	54,743	-	768	55,511
	273,853	14,738	(366)	(8,278)	296,503
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	-	(351)	-	169	(182)
Book-tax difference on property, plant and equipment	(37)	37	-	-	-
	(37)	(314)	-	169	(182)
	$ 273,816	$ 14,424	($ 366)	$ 8,447	$ 296,321

	2017				
	January 1	Recognised in profit or loss	Recognised in equity	Translation differences	December 31
Deferred tax assets:					
-Temporary differences					
Pension expense	$ 4,447	$ 55	$ 453	$ -	$ 4,955
Allowance for bad debts	11,308	(4,154)	-	(859)	6,295
Unrealised 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 and amortisation	23,590	(9,056)	-	(1,783)	12,751
Unrealised expense	105,800	(25,342)	-	(8,363)	72,095
Unrealised exchange loss	-	181	-	(12)	169
	362,920	(60,507)	453	(29,013)	273,853
Deferred tax liabilities:					
-Temporary differences					
Unrealised exchange gain	(195)	183	-	12	-
Book-tax difference on property, plant and equipment	(130)	93	-	-	(37)
	(325)	276	-	12	(37)
	$ 362,595	($ 60,231)	$ 453	($ 29,001)	$ 273,816

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

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

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

Note: Pertains to tax losses incurred by a US subsidiary. In accordance with current tax law, those incurred after January 1, 2018 have no expiry date.

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

(21) Earnings (loss) per share

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

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

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares 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

(22) Changes in liabilities from financing activities

	Short-term borrowings
At January 1, 2018	$ 1,318,769
Changes in cash flow from financing activities	(546,133)
Impact of changes in foreign exchange rate	32,829
At December 31, 2018	$ 805,465

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Yeh Family Limited Partnership (Yeh Family)	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
Yeh cayman 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, 2018	Years ended December 31, 2017
MISA	$ 142,748	$ 146,340
Yeh Family	33,415	32,897
Others	16,432	14,508
	$ 192,595	$ 193,745

Rent paid to related parties is approximately the same with third parties. The lease period with MISA is 5 years; the lease period with Yeh Family is 8 years; and the lease periods with other related parties are 1~3 years. The abovementioned rent is paid monthly.

B. Payables to related parties:

	December 31, 2018	December 31, 2017
Other accounts payable:		
Coaster Furniture (ShenZhen) Ltd.	$ 1,734	$ 1,749

The above pertains to the rent payable to related parties.

(3) Key management compensation

	Years ended December 31, 2018	Years ended December 31, 2017
Salaries and bonus	$ 131,275	$ 137,972
Pensions	4,683	5,653
Share-based payments	2,318	6,227
	$ 138,276	$ 149,852

8. PLEDGED ASSETS

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Accounts receivable	$ 558,119	$ 506,869	
Other receivables	223,674	281,399	Guarantee for bank credit facility along with asset items in the left column
Inventories	3,001,853	3,684,144	
Property, plant and equipment	76,978	82,076	
	$ 3,860,624	$ 4,554,488	

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

	December 31, 2018	December 31, 2017
Not later than one year	$ 594,422	$ 467,009
Later than one year but not later than five years	1,753,878	1,076,248
Later than five years	190,797	244,944
	$ 2,539,097	$ 1,788,201

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, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within 0% to 50%. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 844,107	$ 1,389,196
Less: Cash and cash equivalents	(462,555)	(348,475)
Net debt	381,552	1,040,721
Total equity	2,762,724	2,736,722
Total capital	$ 3,144,276	$ 3,777,443
Gearing ratio	12%	28%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 462,555	$ 348,475
Accounts receivable	602,142	537,906
Other receivables	223,675	281,400
Guarantee deposits paid	44,555	43,118
	$ 1,332,927	$ 1,210,899

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 844,107	$ 1,389,196
Notes payable	1,491	7,496
Accounts payable	662,237	605,068
Other accounts payable (including related parties)	330,280	331,827
	$ 1,838,115	$ 2,333,587

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

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

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

(iii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other 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, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 411	0.7337	$ 9,208

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD)
Financial assets			
Monetary items			
CAD：USD	$ 813	0.7989	$ 19,252

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

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

	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)

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

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

	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	$ -

ii. Cash flow and fair value Interest rate risk

(i) The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in US Dollars.

(ii) If the borrowing interest rate of US dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $805 and $1,319, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

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

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

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

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

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

v. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2018, the Group did not have written-off financial assets that are still under recourse procedures.

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

(i) When the customer defaults, the credit loss associated with payments collected by the credit card company and with accounts underwritten by the financial institution will be borne by the financial institution. As of December 31, 2018, the book values of accounts receivable and impairment provision are $496,360 and $0, respectively.

(ii)The Group used the forecastability to adjust historical and timely information to assess the allowance loss for accounts receivable that are not underwritten by financial institutions and those from normal credits customers. As of December 31, 2018, the provision matrix is as follows:

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

	Up to 60 days past due	Up to 90 days past due	Total
At December 31, 2018			
Rate	98.63%~99.42%	100%	
Total book value	$ 2,724	$ 11,156	$ 127,497
Loss allowance	2,706	11,156	21,715

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

	2018
At January 1_IAS 39	$ 25,849
Adjustments under new standards	-
At January 1_IFRS 9	25,849
Provision for impairment	7,086
Write-offs	(11,946)
Effect of foreign exchange	726
At December 31	$ 21,715

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

viii. Credit risk information for 2017 is provided in Note 12(4)

(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.

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

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

Note: Represents total contract liability for repayment in the future so that includes interest expense for the period.

(3) Fair value information

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

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

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

(a) Loans and receivables

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. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term cost accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

i. 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.

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

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

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

(iii) 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;

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

(v) 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.

iii. 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 amortized 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 amortized 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.

B. Credit risk information for the year ended December 2017 is as follows:

(a) 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The Group's 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
Group 1	$ 6,821
Group 2	37,075
Group 3	380,394
	$ 424,290

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

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 108,027
31 to 90 days	16,759
Over 91 days	14,679
	$ 139,465

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's accounts receivable that was impaired amounted $0.

ii. 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

(5) Effects on initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

i. The Group manufactures and sells furniture products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business 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 Group 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.

ii.The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

(b) Sales of services

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

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

		Year ended December 31,2017
Sales revenue	$	11,829,368
Service revenue		83,674
	$	11,913,042

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

(a) Balance sheet items

Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. The amount is $50,905 as of December 31, 2018. The liabilities in relation to sales returns and discounts are recognised as refund liabilities, but were previously presented as provisions in the balance sheet. The amount is $71,739 as of December 31, 2018.

(b) Comprehensive income statement items

There is no impact on the current comprehensive income statement.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

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

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

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

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

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

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 4.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

(4) Information on products and services

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

Details of revenue balance are as follows:

	Years ended December 31,	
	2018	2017
Revenue from sale of furnitures	$ 11,930,750	$ 11,829,368
Service revenue	82,706	83,674
	$ 12,013,456	$ 11,913,042

(5) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended and as at December 31, 2018		Year ended and as at December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	$ 11,781,643	$ 112,942	$ 11,748,155	$ 120,149
Others	231,813	28,548	164,887	21,994
	$ 12,013,456	$ 141,490	$ 11,913,042	$ 142,143

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, 2018 and 2017 did not exceed 10% of the consolidated net operating revenue.

Coaster International Co., Ltd. and Subsidiaries

Loans to others

Year ended December 31, 2018

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, 2018	Balance at December 31, 2018	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	$ 243,440	$ 91,650	$ 61,100	2.42%	Short-term financing	$ -	Operational needs	$ -	-	$ -	$ 1,105,090	$ 1,105,090	Note 1
0	Coaster International Co., Ltd.	COA Asia, Inc.	Other receivables	Yes	91,650	91,650	-	2.42%	Short-term financing	-	Operational needs	-	-	-	1,105,090	1,105,090	Note 1
2	COA Asia, Inc.	COA, Inc.	Other receivables	Yes	152,750	152,750	61,113	2.18%	Short-term financing	-	Operational needs	-	-	-	395,599	395,599	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：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 30.55).

Coaster International Co., Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

Only significant transactions exceeding NT$8 million are disclosed

Year ended December 31, 2018

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	$	56,881	Negotiated by both parties	0.47%
1	COA, Inc.	Ye Hey (ShenZhen) Logistics Service Company	3	Commission expense		41,075	Negotiated by both parties	0.34%
1	COA, Inc.	Ye Hey Taiwan Logistics Service Ltd.	3	Commission expense		52,308	Negotiated by both parties	0.44%
1	COA, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	3	Commission expense		18,551	Negotiated by both parties	0.15%
1	COA, Inc.	Coaster Furniture (KunShan) Advisory Holdings Ltd.	3	Commission expense		18,076	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:

(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, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd. and Subsidiaries

Information on investees

Year ended December 31, 2018

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, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
Coaster International Co., Ltd.	COA, Inc.	United States	Furniture trading	$ 2,160,227	$ 2,160,227	79,109,865	100.00	$ 2,283,928	($ 89,453)	($ 89,453)	
				(USD 72,398 thousand)	(USD 72,398 thousand)						
Coaster International Co., Ltd.	COA Asia, Inc.	Cayman Islands	Furniture trading/ Purchase service	104,052	104,052	1,000	100.00	395,599	104,283	104,283	
				(USD 3,349 thousand)	(USD 3,349 thousand)						
Coaster International Co., Ltd.	CFS Global Inc.	Cayman Islands	Investment holding	66,023	66,023	100	100.00	2,279	(86)	(86)	
				(USD 1,847 thousand)	(USD 1,847 thousand)						
COA, Inc.	Deliverall Logistics, Inc.	United States	Transportation service	25,280	25,280	100	100.00	34,134	1,768	1,768	
				(USD 800 thousand)	(USD 800 thousand)						
COA Asia, Inc.	Ye Hey (Malaysia) Logistics Service SDN BHD	Malaysia	Purchase service	2,978	2,978	324,603	100.00	16,129	(655)	(655)	
				(MYR 320 thousand)	(MYR 320 thousand)						
COA Asia, Inc.	Coaster Furniture (Asia) Service Holdings Ltd.	Hong Kong	Investment holding	17,424	17,424	150,000	100.00	8,057	(807)	(807)	
				(USD 600 thousand)	(USD 600 thousand)						
COA Asia, Inc.	Ye Hey Taiwan Logistics Service Ltd.	Taiwan	Furniture trading/ Purchase service	3,000	3,000	300,000	100.00	54,591	18,149	18,149	
COA Asia, Inc.	Ye Hey Holding Co., Ltd.	Hong Kong	Investment holding	10,432	10,432	350,000	100.00	139	(2,084)	(2,084)	
				(USD 350 thousand)	(USD 350 thousand)						

Note: Amounts denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
Coaster Furniture (KunShan) Advisory Ltd.	Furniture trading/ Purchase service	$ 17,424 (USD 600 thousand)	2	$ -	$ -	$ -	$ -	$ 1,084	100.00	$ 1,084	$ 18,008	$ -	Invested by Coaster Furniture (Asia) Service Holdings Ltd.
Ye Hey (ShenZhen) Logistics Service Company	Warehousing and transportation service	10,432 (USD 350 thousand)	2	-	-	-	-	459	100.00	459	11,051	-	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: Amounts denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2018 to December 31, 2018 (USD 1 : TWD 30.1274), otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period (USD 1 : TWD 30.55).

Coaster International Co., Ltd.

Chairperson: Lisa Kao

客思達股份有限公司

2018 Annual Report

2019 Shareholders' Meeting