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Keysheen (Cayman) Holdings Co., Limited

2019 Annual Report

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Annual Report is available at

Company Website: <http://www.keysheen.com>

Market Observation Post System website: <http://mops.twse.com.tw>

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Telephone number: (+886)2-2219-2640

III. Board of Directors

Title	Name	Gender	Country of Citizenship	Education & Key Past Positions	Positions Held Concurrently
Chairman	Liu Chung-Hsin	Male	Republic of China	EMBA, National Chung Hsing University Chairman of Keysheen Industry Co., Ltd	Chairman, Keysheen (Cayman)Holdings Co., Limited Director, Yauchung Investment Corp. Supervisor, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Courtyard Creations International Limited Director, Lumar Industries Limited Chairman, Keysheen Industry Co., Ltd
Corporate director	Lauer & Sons Corp.	Male	Republic of China	Chinese Culture University Department of Economics National Chengchi University Executive Program General Manager of Department A, Kinik Company	None
	Representative Of Corporate: Chen Ming-Shan				
Director	Lin Hong-Chi	Male	Republic of China	Ph. D. Business Administration, Nova Southeastern University Passed the Professional Examinations of Accountants Chairman of Lee,Lin & Co.CPA Firm	Supervisor, Kinik Company Supervisor, Hsin Tung Yang Co., Ltd.
Director	Liu Hsin-Tsu	Male	Republic of China	Takushoku University Department of Mechanical Systems Engineering	Chairman, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen (Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Chairman, Keysheen Vietnam Ltd. Director, Lauer & Sons Corp. Director, Creative Creations Inc.
Director	Lee Cheng-Ping	Male	Republic of China	BBA of Department of Business Administration, Fu Jen Catholic University Master, University of San Francisco	Chairman, DanHua Trading Co., Limited Chairman, Kun Cheng Ltd. Chairman, Hua Bin Co., Ltd. Supervisor, Taiwan Tanabe Seiyaku Co., Ltd. Director, Tsai Hsing Development Co., Ltd.
Director	Liu I-Hsiao	Female	Republic of China	MBA, University of Houston	Chairman & general mananger, Keysheen (Cayman)Holdings Co., Limited Director, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Sinture Holding Ltd. Representative of corporate director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd.
Director	Liu Tsu-Kun	Male	Singapore	Duquesne University International Business Department	Director, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen (Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Supervisor, Creative Creations Inc. Director, Lauer & Sons Corp.
Independent Director	Liu Kong-Hsin	Male	Republic of China	National Taiwan Ocean University Department of Shipping and Transportation Management AVP General management office of Formosa Plastics Group Director, Formosa Chemicals & Fibre Corporation Chairman, Solartech Energy Corp.	Representative of corporate director, United Renewable Energy Co., Ltd President, Longdee Enterprise Co., Ltd Director, Taiwan Speciality Chemicals Corporation
Independent Director	Lin Yu-Siang	Male	Republic of China	Master of East Asian Languages and Cultures, Florida State University Legislators of Legislative Yuan, Republic of China Senior Executive Officer of Policy Committee, KMT	None

IV. Name, title, telephone number, and e-mail of power of attorney for appointing the litigation/ non-litigation agent in Taiwan

Name of power of attorney : Liu Chung-Hsin
Title: Chairman, Keysheen (Cayman)Holdings Co., Limited

Telephone number: (02)2219-2640

E-mail: investor@keysheen.com

V. Name, address, website, and telephone number of the entity handling shares transfer and recordation

Name: The Brokerage Registry and Transfer Services Department of Mega Securities Co., Ltd.

Address: 1st Floor, No. 95, Section 2, Chunghsiao East Road, Sec. 2, Taipei

Website: <http://www.emega.com.tw>

Telephone number: (02)3393-0898

VI. Firm name, address, website, telephone number and the name of the CPA who attested the most recent year's financial report:

The engagement partners on the audit resulting in 2019 independent auditors' report are Lu I-Chen and Lin Yi-Hui.

Firm name: Deloitte and Touche Taipei, Taiwan

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei

Website: <http://www.deloitte.com.tw>

Telephone number: (02)2725-9988

VII. The name of any exchanges where the company's securities are traded offshore and the method by which to access information on said offshore securities: N/A.

VIII. The company website: <http://www.keysheen.com>

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One. Letter to shareholders

Dear Shareholders,

On behalf of Keysheen (Cayman) Holdings Co., Limited, we sincerely welcome all shareholders to the shareholders' meeting.

Over the past year, the Company's overall operating performance fell short of expectations, mainly due to a drop in orders caused by the trade war between the United States and China as well as the changes in the production environment at Shanghai factory. Facing the impact of external factors, the Company also made a lot of adjustments to the production and marketing strategies of the Shanghai factory, as the production capacity of the Vietnamese factory has gradually increased. In addition to reducing the operation scale of the Shanghai factory and saving costs, the Company also continued to integrate the resources and reconfigure the production capacities of the two factories in Shanghai and Vietnam.

At present, the integrated production of the Vietnam factory has been completed, and the production capacity has also grown substantially. In addition, high-level customized rattan outdoor furniture has been put into production in the Vietnam factory. After the capacity of the Vietnam factory was enhanced, the Company can adjust the production and marketing strategies of the two factories in Shanghai and Vietnam more flexibly and quickly. We believe that the operation scale and profit of Vietnam factory are expected to grow gradually. Under this serious challenge, the increased capacity of the Vietnam factory undoubtedly restored our confidence in the operation of the Group. It is also hoped that the Company can generate profits again through the adjustment of these strategies.

The following is a summary of the 2019 Business Report and 2020 Business Policy and Development Strategy:

I. The 2019 business report

(I) The result of 2019 business report:

In thousands of NTD, except earnings(deficits) per share

Item	For the year ended December 2019		For the year ended December 2018		Amount increase(decrease)	% increase(decrease)
	Amount	%	Amount	%		
Operating income (Note 1)	4,637,001	100.00%	6,152,017	100.00%	(1,515,016)	(24.63%)
Gross profit	1,039,509	22.42%	1,249,528	20.31%	(210,019)	(16.81%)
Net operating profit	62,529	1.35%	134,699	2.19%	(72,170)	(53.58%)
Non-operating income and expenses (Note 2)	47,815	1.03%	(60,806)	(0.99%)	108,621	178.64%
Income before income tax(Note 3)	110,344	2.38%	73,893	1.20%	36,451	49.33%
Total comprehensive income for the year(Note 3)	48,368	1.04%	(50,317)	(0.82%)	98,685	196.13%
Earnings(loss) per share	0.46	-	(0.48)	-	0.94	195.83%

Note 1. The decrease in operating income was mainly caused by the escalating trade war between the U.S. and China, which leads to less ordered quantities from the customers in 2019 compared to 2018.

Note 2. The main reason for the increase in non-operating income and expenses in 2019 was the significant fluctuation of exchange rate of RMB against the US dollar in 2019 which brought forex profit.

Note 3. The main reason for the increase in net profit before tax and annual net profit for the year was the significant fluctuation exchange rate of RMB against the US dollar fluctuated greatly in 2019 which brought forex profit.

(II) Budget execution status: Not applicable.

(III) Financial results and profitability analysis

		Unit: %; NTD
item		Ratio
Return on assets		1.20
Return on equity		1.22
percentage over the issued capital	operating profit	5.99
	net income (loss) before tax	10.58
Profit margin		1.04
Earnings per share		0.46

(IV) Research and development status:

(1) The Company's research and development expenses invested in 2019 are NT\$78,244,000, accounting for approximately 1.69% of the net revenue; the amount of investment decreased compared with the previous year.

(2) Product development

In addition to continuing the development of the general product line, the company has strengthened the research and development of new product lines, such as: high-end furniture series and urban series products. Besides, the company has continued to invest in the development of rattan outdoor furniture products and plastic rattan materials, and expects to have customized service and market segmentation through a diverse range of products.

(3) Business development

Continue providing more efficient logistics systems and after-sales services, and strengthen our supply chain partnership cooperation model and management.

(4) Development of Shanghai factory

Utilizing the most appropriate production scale and stable supply chain resources, the Company has committed to the development and application of various materials, including composites, and in-depth study of refined and modular processing technology to continuously enhance the company's product cost competitive advantage,

comfortability, and value.

(5) Development of Vietnam factory

The construction of the integrated production plant has been completed in 2018, and has begun production of high-end customized rattan products and steel pipe outdoor furniture.

II. 2020 business policy and development strategy, important production, and marketing policies, and impacts of the overall business environment, external competitive environment, and regulatory environment

(I) Business policy and development strategy

Shanghai factory

- (1) We will continue to deepen the outdoor leisure furniture products and actively develop the leisure and living related products. In the future, we may expand the company's operations through strategic alliances.
- (2) Will be committed to the development of potential customers, which will increase the added value of the product by improving the quality and diversification of product design.
- (3) Strengthen the joint development and cooperation plan with customers and design products that fit the needs of consumers. In addition, it will enhance the overseas logistics operation process, which will make the product shipments timely and make the after-sales service mechanism more perfect.
- (4) Facing external uncertainties, for example the U.S.-China trade war, the Shanghai factory will adopt a more conservative strategy and not aiming for revenue growth, and select suitable products to ensure profitability of the factory.
- (5) Actively develop green environmentally-friendly raw materials and optimize the process. In addition, to comply with the local government's environmental protection policies, the company adheres to the core objectives of long-term operation of the company in terms of energy conservation, carbon reduction and pollution reduction.

Vietnam factory

- (1) The integrated production plant for the rattan product line has been completed and put into production, and will gradually realize the company's plan to penetrate the high-end rattan outdoor furniture market. In the future, through the expansion of new product lines, it will bring more diversified product choices for customers.
- (2) Establish a smart factory management system to achieve customized mass production conditions through full process bar code management and production history scheduling.
- (3) Gradually establish and operate a complete upstream and downstream supply chain, in addition to making production costs more competitive, making future capacity planning more flexible and responsive.
- (4) Fully consider the equipment capacity utilization rate and worker efficiency elevation,

so we can significantly increase the factory utilization rate and production efficiency to meet the growing demands of our customers.

(II) The important production and marketing policies

- (1) Promote balanced production throughout the year, streamline the use of workers' efforts, and strive to optimize the production process. With an automated and labor-saving production model, manpower and production costs can be more effectively controlled.
- (2) Strengthen the on-the-job training for employees, and pay attention to the training of multi-capacity expertise to improve production efficiency, and cooperate with production line automation to improve equipment utilization rate.
- (3) Give full play to the specialties and strengths of the two factories, continue to deepen the development of various product lines with appropriate division, and enhance the penetration and market share of the company's products with more diversified design, and then provide high added value service to our customers.
- (4) Follow the trend of global e-commerce, the company will cooperate with customers' operating model to increase the proportion of e-commerce sales, in order to increase the scale of operations.

(III) Impacts of the overall business environment, external competitive environment and regulatory environment

- (1) Looking back on the international economic environment last year, the geopolitical risk has risen, the world is shadowed by the U.S.-China trade war, and the sluggish performance of emerging markets has led to a weakening of global economic growth momentum, weak economic performance, manufacturing investment tends to be conservative, and overall business environment is not ideal. Meanwhile, raw material prices generally dropped, and the RMB exchange rate remained stable, which also improved the company's profit performance over the same period.

Looking ahead to the coming year, although the turmoil of US-China trade is showing signs of easing, the geopolitical risks have not been reduced, and the global economy has been greatly affected by the new COVID-19 epidemic. Therefore, all research institutions have expected the global economy to tank in 2020 and also brings further risks to emerging markets. At present, it is estimated that the North American market is still more stable than other regions, but the consumption power may be weakened. Due to North America is the company's major market, we are holding a conservative view toward the overall business development over the next year.

- (2) We will face challenges from competitors with diversified products and customized high-end products. At the same time, we will maximize the overall corporate resources by leveraging the industry supply chain strategic alliance. This will help to strengthen the company's irreplaceable supply role and stabilize the competitiveness of the industry.

(3) In response to rapid changes in the production environment, such as labor and environmental protection, the Company must develop efficient and stable business models and consider that new product lines should be produced in a more suitable and competitive production environment. After accelerating the factory expansion in expanding in Vietnam for the past two years, we are gradually moving into full production and expecting that the new capacity will expand the company's operation scale and drive its revenue growth.

The company has accumulated rich industry experience for decades and established a complete production system. The innovative design and independent development of materials and stable cooperation with customers are the strong business foundations of the company. Under the impact of U.S-China trade war and rising production cost, the company is facing severe challenges, and we will use our operational advantages and core capabilities to tackle the competition and challenges. After our Vietnam plant officially begin production, the management team will do its best to lead the company in overcoming the growing environmental challenges and achieve good results.

We would like to ask all of you shareholders to continue in your encouragement and support. The management team and all colleagues will go all out to face the challenges of the current environment and create better operational performance for the company, so that shareholders and customers, and employees may benefit from improved business performance.

I wish all the Shareholders

good health and good luck.

Chairman: LIU CHUNG-HSIN

General manager: LIU I-HSIAO

Two. Corporate profile

I. Corporate and group Profile

(I) Date of incorporation and company profile

1. Date of incorporation: Sep. 8th, 2010

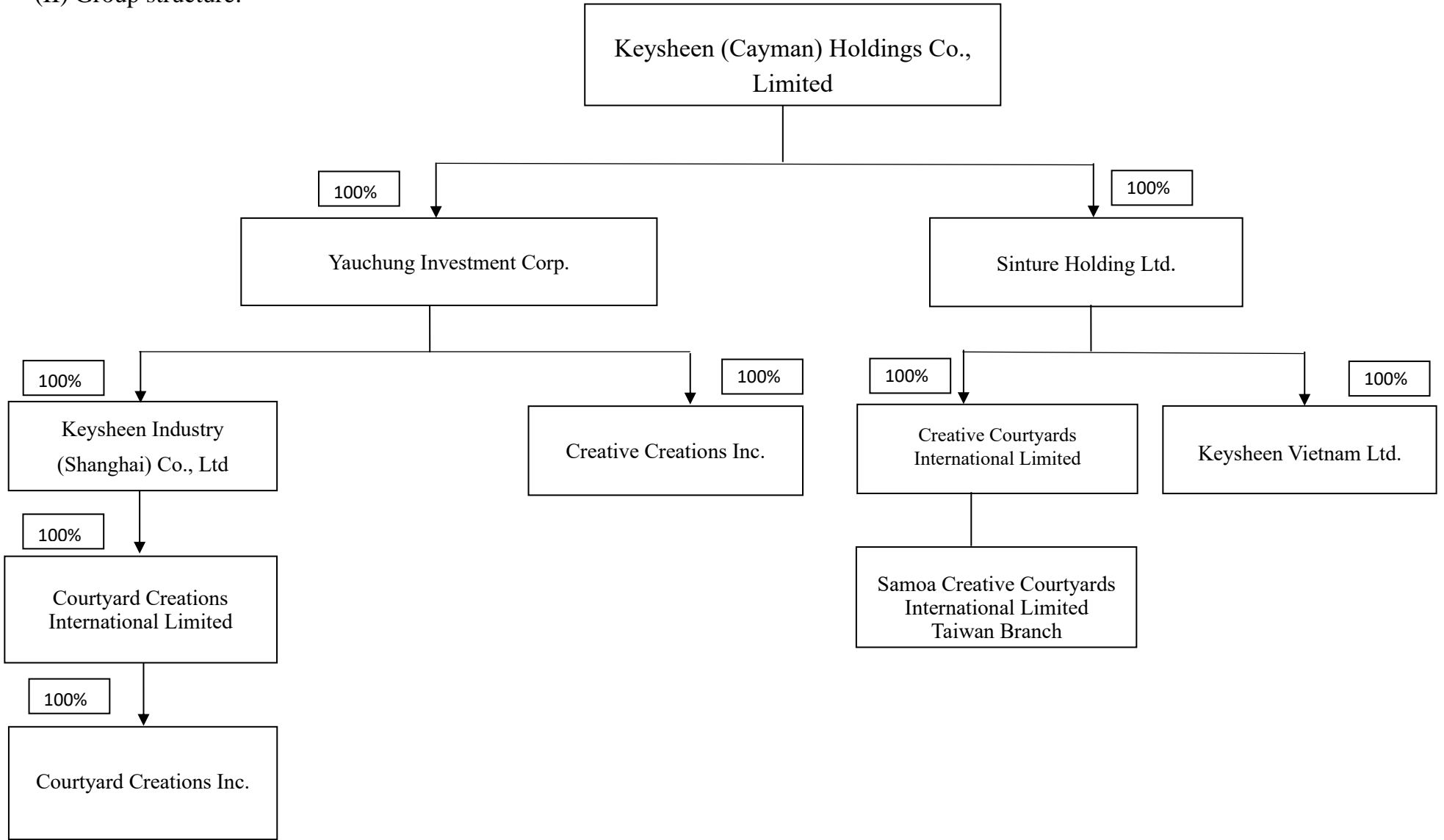
2. Group profile:

Founded in Taiwan in 1972, the group is engaged in the production and sale of outdoor leisure furniture-related products. In 1995, it started in China and selected the Shanghai Qingpu Industrial Park to build a consistent production plant.

According to the government's policy of promoting overseas companies to return to Taiwan, the Group established the first listing entity on Sep. 8th, 2010 - Keysheen (Cayman) Holdings Co., Ltd became the parent company of the group. It was officially listed on Dec. 6th, 2011.

In response to the rapid changes in the manufacturing environment, the Group added a new plant in January 2016 in Guiwu Industrial Park, Beining Province, Vietnam to build new capacity and develop a new rattan product line. Looking forward to the strategic thinking of global layout, we will complete the blueprint for the Group's sustainable operation.

(II) Group structure:



II. Corporate history

Date	Major chronicle
May 1995	Established Shanghai Keysheen Leisure Products Co., Ltd.
September 1997	Established Keysheen Industry (Shanghai) Co., Ltd in Qingpu District, Shanghai.
June 2000	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD2.7 million.
July 2001	Keysheen Industry (Shanghai) Co., Ltd has a cash injection and moved to its current address in Qingpu Industrial Park.
September 2001	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD 10.8 million.
March 2006	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD 22.1 million.
March 2009	Re-invested in the Mauritius subsidiary Courtyard Creations Inc.
September 2010	Keysheen (Cayman)Holdings Co., Limited founded.
January 2011	Keysheen (Cayman)Holdings Co., Limited and Yauchung Investment Corp. proceeded equity swap.
February 2011	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD2 million.
May 2011	Applied to the Taiwan Stock Exchange for the primary listing of stocks.
July 2011	The listing has been approved by Financial Supervisory Commission of Taiwan
August 2011	The listing has been approved by Securities and Futures Bureau, Financial Supervisory Commission.
October 2011	initial public issuance of stock
November 2011	Proceeded with a cash offering NTD 100 million of new shares for a capital increase in connection with an initial listing on the Taiwan Stock Exchange
December 2011	Listed in Taiwan Stock Exchange.
January 2012	Yauchung Investment Corp. has a cash injection of USD25 million.
January 2012	Keysheen Industry (Shanghai) Co., Ltd has a cash injection of USD21 million.
January 2012	Shanghai Keysheen Leisure Products Co., Ltd. has a cash injection of USD4 million.
July 2012	Keysheen (Cayman)Holdings Co., Limited processed surplus to a capital increase of NTD180 million; the paid-up capital after the capital increase was NT\$1.08 billion.
November 2014	Keysheen (Cayman)Holdings Co., Limited has canceled the treasury stock to reduce capital; the amount of paid-up capital after the capital reduction was NTD1.06285 billion.
November 2015	Keysheen (Cayman)Holdings Co., Limited has canceled the treasury stock to reduce capital; the amount of paid-up capital after the capital reduction was NTD1.04261 billion.
November 2015	Re-invested in Samoa subsidiary Sinture Holding Ltd.
January 2016	Established Keysheen Vietnam Ltd. in Guiwu Industrial Park, Yunnyng County, Beining City, Beining Province, Vietnam
March 2016	Re-invested in Samoa subsidiary Creative Courtyards International Limited.
October 2016	Established Taiwan branch of Creative Courtyards International Limited.
November 2016	Samoa subsidiary Sinture Holding Ltd. has a cash injection of USD8 million.

Date	Major chronicle
November 2016	Keysheen Vietnam Ltd. has a cash injection of USD8 million.
April 2018	Re-invested in subsidiary Creative Creations Inc. in Shanghai China.
October 2018	Shanghai Keysheen Leisure Products Co., Ltd. has completed the liquidation procedure.

III. Listing of risk

I. Industrial risk

(I) Risk of product sales in the off-season / peak season is obvious:

The sales of the outdoor leisure furniture industry are mainly developed in the European and American economies dominated by the northern hemisphere, supplemented by the southern hemisphere and other markets. The retailer's sales period starts from November every year to the end of the second year of June and early July. The sales period of the company from October to the end of April and early May, and the characteristics of the industry makes the sales season quite obvious. There are some uncertainties in the production, storage and transportation of our products.

(II) Risk of speedy product style update

Every year the styles and colors that are popular in the market often change with the preferences of consumers. The Company's listed products are about 800 sets in the styles and colors per year, and the proportion of products that can be re-sold in the next year is only about 10%. Most of the products must be re-developed. In the case of rapid product style updates every year, it is necessary to have strong product development capabilities. If it is impossible to design products that meet the market trend, it will have a significant impact on operations.

II. Risk of operations

(I) Risk of rising labor cost:

Due to the continuous increase in local basic wages in Shanghai, China, there are also factors such as lack of workers in coastal areas, which has led to an increase in labor costs. If it is not possible to streamline the use of workers, cultivate multi-skilled expertise training and timely increase the price of products, the company's product gross profit and business benefits will have an impact, which will in turn pose risks to the company's operations.

(II) Geopolitical risks

In response to market needs, the Company has built a consistent rattan plant in Vietnam, which will gradually expand the proportion of Vietnam's production, and hope to create a more flexible space for future orders, thereby promoting the Group's overall profitable growth. In addition, if there is a change in the geopolitical or economic environment of the region in which the overseas factory is located in the future, there will be certain risks to the operation of the Company.

What's more, the trade war between the United States and China remains at a deadlock, and it is expected that the tension can be alleviated through negotiation. However, the tariff issues between the two countries during this period did pose risks to the Company's operation.

(III) Risk of exchange rate fluctuations

The company's main sales customers are large-scale stores in Europe and the United States, so the sales are all denominated in US dollars, while the original materials of Shanghai factory are purchased locally in China and are denominated in RMB. Therefore, if the exchange rate fluctuates drastically, it will pose risks to the company's operations.

III. Other important risks

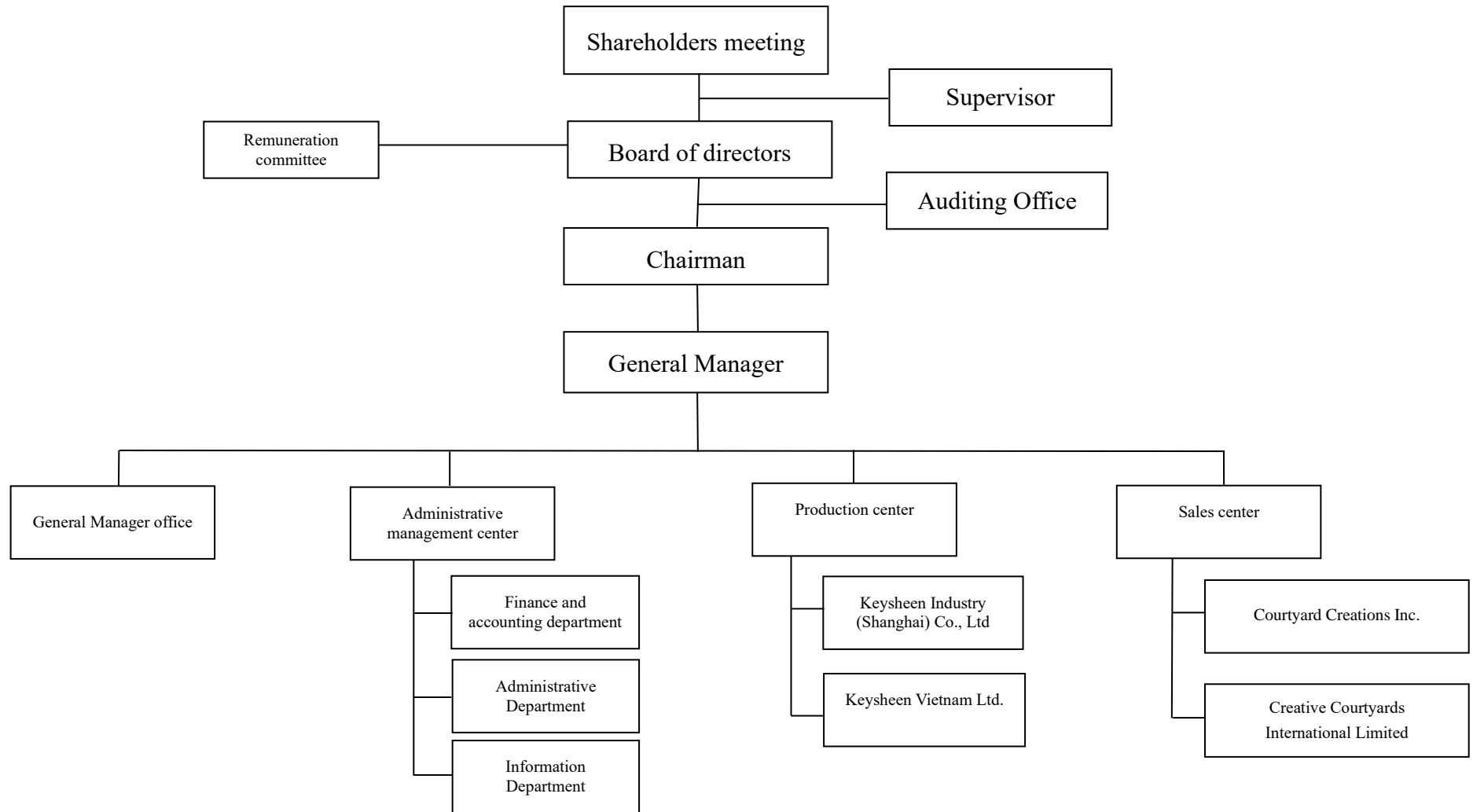
The company is registered in the Cayman Islands and its main operations are located in China and Vietnam. Changes in the overall economic and political environment of the place of registration and the place of operations and fluctuations in foreign exchange will affect the operations of the Company. There are differences in compliance between company's registration in the Cayman Islands and Taiwan, such as the company law, the economic substance bill, etc. Although the company has amended the company's Articles of Association in accordance with the "the checklist of important matters concerning the protection of shareholders' equity for foreign issuer" by TWSE, there are still many differences in the laws governing the operation of the company. Investors still need to know and consult experts on the risks associated with the investment.

Three. Corporate governance report

I. Corporate organization

(I) Corporate organizational chart

Corporate organization chart of Keysheen(Cayman) Holdings Co., Limited



(II) Business of each department

department	main duty
Chairman	The company's highest overall decision-makers, supervise the implementation and implementation of the company's operations, and implement the resolutions of the board of directors.
General Manager	It is mainly responsible for coordinating the supervision of the company's resources to achieve the company's operational performance and goals.
Auditing Office	Mainly responsible for the audit, evaluation and measurement of operational efficiency of the parent company's internal control system; and assist the board of directors and management to fulfill their responsibilities.
Sales Center	Mainly responsible for coordinating the supervision of sales center resources to achieve the company's sales performance and goals.
Production Center	Mainly responsible for coordinating the supervision of production center resources to achieve the company's production performance and goals.
Administrative Management Center	Responsible for the management of the company's investment and working capital, the preparation of the company's accounting and the preparation of financial statements, the management of taxation, the management and execution of the company's human resources and internal administrative affairs, the management and management of information systems, hardware and software, and Exception handling.
General Manager Office	Mainly responsible for the company's external speech, corporate media relationship management and related public relations activities, corporate governance related matters, shareholder, remuneration committee and board of directors operations.

II. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(I) Information of directors and supervisors

Information of directors and supervisors (I)

May 2nd, 2020

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected Shares Owned		currently Shares Owned		Shares Owned by Spouse and Minors		Shares held through nominees		Education and Key Past Positions (Note 3)	Positions Held Concurrently	Related to Directors and Supervisors			Note (note 4)
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage			Title	Name	Relationship	
Chairman	Republic of China	Liu Chung-Hsin	Male	2017.6.16	3 years	2010.9.8	10,320,000	9.90%	10,320,000	9.90%	8,248,000	7.91%	0	0	EMBA, National Chung Hsing University Chairman, Keysheen Industry Co., Ltd	The Company: Chairman, Keysheen (Cayman)Holdings Co., Limited Director, Yauchung Investment Corp. Supervisor, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Courtyard Creations International Limited Other company: Director, Lumar Industries Limited Chairman, Keysheen Industry Co., Ltd	Director	Liu I-Hsiao	Father and daughter	Note 4
Corporate director	British Virgin Islands	Lauer & Sons Corp.	Male	2017.6.16	3 years	2011.3.17	11,520,000	11.05%	11,520,000	11.05%	0	0%	0	0%	Chinese Culture University Department of Economics National Chengchi University Executive Program General Manager of Department A, Kinik Company	The Company: N/A Other company: N/A	None	None	None	None
	Republic of China	Representative Of Corporate: Chen Ming-Shan					0	0%	96,000	0.09%	72,000	0.07%	0	0%						
Director	Republic of China	Lin Hong-Chi	Male	2017.6.16	3 years	2011.3.17	240,000	0.23%	240,000	0.23%	0	0%	0	0%	Ph. D. Business Administration, Nova Southeastern University Passed the Professional Examinations of Accountants Chairman of Lee, Lin & Co.CPA Firm	The Company: N/A Other company: Supervisor, Kinik Company Supervisor, Hsin Tung Yang Co., Ltd	None	None	None	None
Director	Republic of China	Liu Hsin-Tsu	Male	2017.6.16	3 years	2011.3.17	9,362,400	8.98%	9,362,400	8.98%	0	0%	0	0%	Takushoku University Department of Mechanical Systems Engineering	The Company: Chairman, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen (Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Chairman, Keysheen Vietnam Ltd. Director, Creative Creations Inc. Other company: director of Lauer & Sons Corp.	Director	Liu Tsu-Kun	siblings	None

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected Shares Owned		currently Shares Owned		Shares Owned by Spouse and Minors		Shares held through nominees		Education and Key Past Positions (Note 3)	Positions Held Concurrently	Related to Directors and Supervisors			Note (note 4)
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage			Title	Name	Relationship	
Director	Republic of China	Lee Cheng-Ping	Male	2017.6.16	3 years	2017.6.16	85,000	0.08%	85,000	0.08%	27,000	0.03%	0	0%	BBA of Department of Business Administration, Fu Jen Catholic University Master, University of San Francisco	The Company: N/A Other company: Chairman, DanHua Trading Co., Limited Chairman, Kun Cheng Ltd., Chairman, Hua Bin Co., Ltd., Supervisor, Taiwan Tanabe Seiyaku Co., Ltd. Director, Tsai Hsing Development Co., Ltd.	None	None	None	None
Director	Republic of China	Liu I-Hsiao	Female	2017.6.16	3 years	2017.6.16	7,398,609	7.10%	9,478,609	9.09%	0	0%	0	0%	MBA, University of Houston	The Company: Chairman & general manager, Keysheen (Cayman)Holdings Co., Limited Director, Keysheen Industry (Shanghai) Co., Ltd Director, Courtyard Creations Inc. Director, Sinture Holding Ltd. Representative of corporate director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Other company: N/A	Chairman	Liu Chung- Hsin	Father and daughter	Note 4
Director	Singapore	Liu Tsu-Kun	Male	2017.6.16	3 years	2017.6.16	5,308,560	5.09%	5,308,560	5.09%	0	0%	0	0%	Duquesne University International Business Department	The Company: Director, Keysheen Industry (Shanghai) Co., Ltd Director, Keysheen (Cayman)Holdings Co., Limited Director, Courtyard Creations Inc. Director, Creative Courtyards International Limited Director, Keysheen Vietnam Ltd. Supervisor, Creative Creations Inc. Other company: director of Lauer & Sons Corp.	Director	Liu Hsin- Tsu	Siblings	None
Independent Director	Republic of China	Liu Kong-Hsin	Male	2017.6.16	3 years	2011.3.17	0	0%	0	0%	0	0%	0	0%	National Taiwan Ocean University Department of Shipping and Transportation Management AVP General management office of Formosa Plastics Group Director, Formosa Chemicals & Fibre Corporation Director, Solartech Energy Corp.	The Company: N/A Other company: Representative of corporate director, United Renewable Energy Co., Ltd President, Longdee Enterprise Co., Ltd Director, Taiwan Speciality Chemicals Corporation	None	None	None	None
Independent Director	Republic of China	Lin Yu-Siang	Male	2017.6.16	3 years	2011.3.17	0	0%	0	0%	0	0%	0	0%	Master of East Asian Languages and Cultures, Florida State University Legislators of Legislative Yuan, Republic of China Senior Executive Officer of Policy Committee, KMT	The Company: N/A Other company: N/A	None	None	None	None

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date Date	Term	First Elected (Note 2)	When Elected Shares Owned		currently Shares Owned		Shares Owned by Spouse and Minors		Shares held through nominees		Education and Key Past Positions (Note 3)	Positions Held Concurrently	Related to Directors and Supervisors			Note (note 4)
							No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage			Title	Name	Relationship	
Supervisor	Republic of China	Lai Wu-Lang	Male	2017.6.16	3 years	2011.3.17	360,000	0.35%	360,000	0.35%	0	0%	0	0%	Senior management completion in Tunghai University Director and finance manager, Formosa Taffeta Co., Ltd. Independent Director, Solartech Energy Corp.	The Company: N/A Other company: Vice chairman, Business Accounting Association/ Taiwan Director, Taipei Accounting Association	None	None	None	None
Supervisor	Republic of China	Hu Jing-Ming	Male	2017.6.16	3 years	2011.3.17	324,000	0.31%	324,000	0.31%	0	0%	0	0%	Department of Accounting, Soochow University	The Company: N/A Other company: General manager, LiJing Textile Co., Ltd	None	None	None	None
Supervisor	Republic of China	Chen I-Tai	Male	2017.6.16	3 years	2011.3.17	240,000	0.23%	240,000	0.23%	10,000	0.01%	0	0%	Executive director of Cosmos Steel Sheet Co., Ltd.	The Company: N/A Other company: Executive director of Cosmos Steel Sheet Co., Ltd.	None	None	None	None

Note 1: Institutional shareholders should list the names and their representatives separately (representatives of institutional shareholders should indicate the name of the institutional shareholders), and shall complete the following table 1.

Note 2: Fill in the first elected time as a director or supervisor of the company. If there is any interruption, it should be noted.

Note 3: Experience related to current position. If he/she has worked in the certified public accountant firm or a related company during the previous period, it shall state the title and responsible position.

Note 4: Where the Chairman of the Board and General Manager or equivalent (Top Manager) are the same person, spouses or relatives within first degree of kinship, relevant information on the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and the way that more than half of the directors do not concurrently serve as employees or managers, etc.) shall be provided:

The Chairman and General Manager of the Company are close relatives within first degree of kinship. In order to enhance the operating efficiency and execution of decision-making, the Chairman usually fully communicates with the Directors on the Company's operating status and planning policies to implement corporate governance. The Company plans to increase the number of independent directors to enhance the functions of the Board of Directors and strengthen the supervision function. The specific response measures of the Company are as follows:

1. The Company arranges each director to participate in professional courses held by external institutions every year to improve the operation efficiency of the Board of Directors.
2. The Independent Directors carry out full discussion in the functional committees and puts forward suggestions for the Board of Directors' reference to implement corporate governance.
3. More than half of the board members do not concurrently serve as employees or managers.

Table 1: major shareholders of institutional shareholders

May 2nd, 2020

The name of institutional shareholders (Note 1)	The major shareholders of institutional shareholders (Note 2)
Lauer & Sons Corp.	Liu Chung-Chi 30%; Liu Hsin-Tsu 40%; Liu Tsu-Kun 30%

Note 1: Directors or supervisors who is a representative of institutional shareholders should indicate the name of the institutional shareholders.

Note 2: Fill in the major shareholders name of institutional shareholders (with shareholding ratio accounting for the top 10) and their shareholding ratios. If the major shareholder is a corporate, he/she shall complete the following table 2.

Note 3: If the institutional shareholder is not an entity, the name of the shareholder and its shareholding ratio, that is, the name of the investor or contributor and its investment ratio, shall be disclosed.

Table 2: the major shareholder in Table 1 is an institutional shareholder, whose major shareholders.

May 2nd, 2020

The name of institution (Note 1)	The major shareholders of institution(Note 2)
not applicable	

Note 1: If the major shareholder in Table 1 is an institution, fill the name of the institution.

Note 2: Fill in the name of major shareholders (with shareholding ratio accounting for the top 10) of the corporate and their shareholding ratios

Note 3: If the institutional shareholder is not an entity, the name of the shareholder and its shareholding ratio, that is, the name of the investor or contributor and its investment ratio, shall be disclosed.

Information on directors and supervisors (II)

May 2nd, 2020

Name (Note 1)	Have more than five years of work experience And the following professional qualifications			Complied with independence (Note 2)												The number of independent directors serving with other public offering companies
	An instructor or higher 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 area of commerce, law, finance or accounting or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	11	12	
Liu Chung-Hsin			✓	✓					✓		✓	✓		✓	✓	0
Lauer & Sons Corp. (Representative: Chen Ming-Shan)			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Lin Hong-Chi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu Hsin-Tsu			✓						✓		✓	✓	✓	✓	✓	0
Lee Cheng-Ping			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu I-Hsiao			✓						✓		✓	✓	✓	✓	✓	0
Liu Tsu-Kun			✓						✓		✓	✓		✓	✓	0
Liu Kong-Hsin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Yu-Siang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lai Wu-Lang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hu Jing-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen I-Tai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: The number of fields is adjusted according to the actual number.

Note 2: Each of the directors and supervisors meets the following conditions during the two years prior to the election and during the term of office, please place "✓" in the space below each condition code.

- (1) Not an employee of the Company or any of its related enterprises.
- (2) Not a director or supervisor of the Company or any of its related companies (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (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 any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not the spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship of the managers listed in (1) or the personnel listed in (2) and (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who directly holds more than 5% of the total issued shares of the Company, or ranks top five in terms of number of shares held, or appoints representatives as directors or supervisors of the company in accordance with Article 27 (1) or (2) of the Company Act (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).

- (6) Not a director, supervisor or employee of other companies whose half of the shares are controlled by the same person holding more than half of the number of directors or voting shares of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (7) Not a (managing) director, (managing) supervisor or employee of other companies or institutions who is the same person or spouse of the Chairman, General Manager or equivalent of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (8) Not a (managing) director, (managing) supervisor, manager or shareholder holding more than 5% of the shares of a particular company or institution that has financial or business relationship with the Company (not applicable to the companies or institutions holding more than 20%, but less than 50% of shares of the Company, and the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (9) Not a business owner, partner, director, supervisor, manager and spouse thereof of a professional, sole proprietorship, partnership, company or institution that provides auditing, business, legal, financial, accounting or other related services for which the cumulative remuneration in the last two years has not exceeded NT\$ 500,000. However, this restriction is not applicable to members of the Remuneration Committee, Public Tender Offers Committee, or Merger & Acquisition Committee who execute duties pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) There is no kinship between the other directors such as a spouse or a second degree of kinship.
- (11) There is no situation stated in the Article 30 of the Company Act.
- (12) There is no situation stated in the Article 27 of the Company Act where a government agency, juristic person or its representative acts as a shareholder of the Company.

(II) Information on the company's general manager, assistant general managers, deputy assistant general managers and the supervisors of all the company's divisions and branch units

May 2nd, 2020

Title (Note 1)	Country of Citizenship	Name	Gender	Elected Date	Shares Owned		Shares Owned by Spouse & Minors		Shares Held under Surrogate A/C		Education & Key Past Positions (Note 2)	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents			Note (Note 3)
					No. of Shares	Shares Owned	No. of Shares	Shares Owned	No. of Shares	Shares Owned			Title	Name	Nature of Relations	
General Manager	Republic of China	Liu I-Hsiao	Female	2015.6.1	9,478,609	9.09%	0	0%	0	0%	MBA, University of Houston	None	None	None	None	Note 3
Production Center Chairman	Republic of China	Liu Hsin-Tsu	Male	2011.5.16	9,362,400	8.98%	0	0%	0	0%	Department of Mechanical Systems Engineering, Takushoku University	Director, Lauer & Sons Corp.	Executive director of sales center	Liu Tsu-Kun	siblings	None
Executive Director of SalesCenter	Singapore	Liu Tsu-Kun	Male	2016.1.1	5,308,560	5.09%	0	0%	0	0%	International Business Department, Duquesne University	Director, Lauer & Sons Corp.	Production Center Chairman	Liu Hsin-Tsu	siblings	None
Chief Accountant (note 4)	Republic of China	Lin Yi-Ting	Female	2019.1.1	0	0%	0	0%	0	0%	Department of Accounting, National Changhua University of Education Manager specialist, NEXCOM International Co., Ltd. Accounting specialist, E. Sun Bank	None	None	None	None	None
Chief Accountant (Note 4)	Republic of China	Yi Ying-Jiao	Female	2019.7.31	0	0%	0	0%	0	0%	Accounting Computerization Department, Changsha Social Work College Deputy General Manager of Finance Deputy General Manager, Keysheen Industry (Shanghai) Co., Ltd	None	None	None	None	None

Note 1: Should include information on the company's general manager, assistant general managers, deputy assistant general managers and the supervisors of all the company's divisions and branch units and where the position is equivalent to the general manager, assistant general managers, and deputy assistant general managers, regardless of the title, should also be disclosed.

Note 2: Experience related to current position. If he/she has worked in the certified public accountant firm or a related company during the previous period, it shall state the title and responsible position.

Note 3: Where the Chairman of the Board and General Manager or equivalent (Top Manager) are the same person, spouses or relatives within first degree of kinship, relevant information on the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and the way that more than half of the directors do not concurrently serve as employees or managers, etc.) shall be provided:

The Chairman and General Manager of the Company are relatives within first degree of kinship. In order to enhance the operating efficiency and execution of decision-making, the Chairman usually fully communicates with the Directors on the Company's operating status and planning policies to implement corporate governance. The Company plans to increase the number of independent directors to enhance the functions of the Board of Directors and strengthen the supervision function. The specific response measures of the Company are as follows:

1. The Company arranges each director to participate in professional courses held by external institutions every year to improve the operation efficiency of the Board of Directors.
2. The independent directors carry out full discussion for the functional committees and puts forward suggestions for the Board of Directors' reference to implement corporate governance.
3. More than half of the Board members do not concurrently serve as employees or managers.

Note 4: Lin Yi-Ting, Chief Accountant, resigned on Apr. 30th, 2019 due to her personal career planning; Yi Ying-Jiao, Deputy General Manager, was then appointed as the Chief Accountant.

III. Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers

(I) Remuneration of general directors and independent directors

In Thousands of New Taiwan Dollars

Title	Name	Remunerations of Directors								Ratio of total amount of A, B, C and D in after-tax net profit (note 10)		Relevant Remuneration Received by Directors Who are also Employees								Ratio of total amount of A, B, C, D, E, F, and G in after-tax net profit (note 10)		Remuneration from the invested companies other than the Company's subsidiaries or from the parent company (Note 11)		
		Base Compensation (A) (Note 2)		Retirement and Resignation Allowance (B)		Remuneration of Directors (C) (Note 3)		Business-conducting expenses (D) (Note 4)				Salaries, Bonuses and Special Allowances (Note 5)		Retirement and Resignation Allowance (F)		Remuneration of Employees (G) (Note 6)								
		The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statement (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company		All Consolidated Entities (Note 7)			The Company	Companies in the consolidated financial statements (Note 7)
																		Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Director	Liu Chung-Hsin																							
	Lauer & Sons Corp. Representative: Chen Ming-Shan																							
	Lin Hong-Chi	0	0	0	0	0	581	0	155	0	1.52%	0	27,632	0	108	0	0	0	0	0	0	58.87%	None	
	Liu Hsin-Tsu																							
	Lee Cheng-Ping																							
	Liu I-Hsiao																							
	Liu Tsu-Kun																							
Independent Director	Liu Kong-Hsin	0	1,440	0	0	0	0	0	50	0	3.08%	0	0	0	0	0	0	0	0	0	0	3.08%	None	
	Lin Yu-Siang																							

1. Please state the payment policy, system, standard and structure of the remuneration of the independent directors, and state the correlation between the remuneration and payment amount according to the responsibility, risk, investment time and other factors:

The remuneration of the independent director of the Company shall be paid in accordance with Article 86 of the Articles of Association of the Company. The Company shall take the degree of participation of the independent director in the operation of the Company and the value of his/her contribution as the remuneration policy, and shall evaluate his/her remuneration according to the payment standards of the same industry. The independent directors of the Company are not entitled to the remuneration distribution according to Article 129 of the Articles of Association of the Company. However, regardless of profit and loss, the Company shall pay each independent director a fixed salary on a monthly basis as the remuneration of each independent director.

2. Other than disclosure in the above table, remunerations received by company directors for providing services (e.g. providing consulting services as a non-employee) to the Company and companies in the consolidated financial statements in the recent financial statements: None.

*Relevant information of general directors and independent directors shall be listed.

Table of Remuneration Ranges

Ranges of Remunerations for Directors of the Company	Name of Director			
	Total amount of remuneration in the first four items (A+B+C+D)		The total amount of remuneration in the first seven items (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Less than NT\$ 1,000,000	-	Liu Chung-Hsin, Liu Hsin-Tsu, Lauer & Sons Corp. Representatives: Chen Ming-Shan, Lin Hong-Chi, Lee Cheng-Ping, Liu I-Hsiao, Liu Tsu-Kun, Liu Kong-Hsin, Lin Yu-Siang, a total of 9 people	-	Lauer & Sons Corp. Representatives: Chen Ming-Shan, Lin Hong-Chi, Lee Cheng-Ping, Liu Kong-Hsin, Lin Yu-Siang, a total of 5 people
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (exclusive)	-	-	-	-
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (exclusive)	-	-	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (exclusive)	-	-	-	Liu Chung-Hsin, 1 person
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (exclusive)	-	-	-	Liu Hsin-Tsu, Liu I-Hsiao, Liu Tsu-Kun, a total of 3 people
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (exclusive)	-	-	-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (exclusive)	-	-	-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (exclusive)	-	-	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (exclusive)	-	-	-	-
More than NT\$ 100,000,000	-	-	-	-
Total	-	9 people	-	9 people

Note 1: The names of Directors shall be listed separately (for institutional shareholders, the names and representatives of institutional shareholders shall be listed separately), and the general directors and independent directors shall be listed separately, and the payment amount of each item shall be disclosed collectively. If a director also serves as a General Manager or Deputy General Manager, this form and the form (3-2-1) or (3-2-2) below should be filled.

Note 2: Refers to remuneration of directors in 2019 (including salary, special allowances, remuneration of resignation, bonuses etc.).

Note 3: Fill in amount of remuneration of directors approved by the Board of Directors for 2019.

Note 4: Refers to business-conducting expenses of directors in 2019 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services), In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration.

Note 5: Refers to relevant remuneration in 2019 received by directors who are also employees (including general manager, assistant general managers, other managers and staff), the remuneration including base compensation, special allowances, remuneration of resignation, bonuses, transportation, special allowances, various allowances, housing, company cars, etc. In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration. The salary expenses recognized in accordance with IFRS2 "Share-based Payment" including obtaining employee stock warrants, new restricted employee shares, and participating in cash injection subscription shares, shall also be included in the remuneration.

Note 6: Refers to relevant remuneration (stock and cash) in 2019 received by directors who are also employees (including general manager, assistant general managers, other managers, and staff), it needs to be disclosed that the amount of compensation approved by the board of directors in 2019, if it may not be estimated, the estimated amount of the year will be calculated based on the proportion of the actual distribution amount last year, and Form 1-3 should be completed.

Note 7: The total amount of remuneration paid to the Company's Directors by all companies in the consolidated financial statements (including the Company) shall be disclosed.

Note 8: The total amount of remuneration paid by the Company to each Director shall be disclosed with the name of Director in the corresponding column of the Table of Remuneration Ranges.

Note 9: The total amount of remuneration paid to the Company's Directors by all companies in the consolidated financial statements (including the Company) shall be disclosed with the name of Director in the corresponding column of the Table of Remuneration Ranges.

Note 10: Net profit after-tax means the net profit after-tax in 2019, and the Company's net profit after-tax in 2019 was NT\$ 48,368 thousand.

Note 11: a. The amount of other compensations received by the director of the Company from the invested company other than the Company's subsidiaries or from the parent company should be filled in the column (if no, please fill in "no").

b. If the director of the Company receives remuneration from the invested companies other than the Company's subsidiaries or from the parent company, the said remuneration shall be included in Column J in the Table of Remuneration Ranges. The name of the column shall also be changed to "parent company and all reinvested companies".

c. Remuneration refers to remuneration, rewards (including remunerations of employees, directors, or supervisors), business-conducting expenses, and other related payments received by the director of the Company for being a director, supervisor, or manager of the invested companies other than the Company's subsidiaries or the parent company..

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax purposes.

(II) Remuneration of supervisors

In Thousands of New Taiwan Dollars

Title	Name	Remuneration of supervisors						The proportion of aggregate of A,B, and C in net profit after-tax (Note 8)		Remuneration from the invested companies other than the Company's subsidiaries or from the parent company (Note 9)
		Base Compensation(A) (Note 2)		Compensation (Note 3)		Business-conducting expenses (C) (Note 4)				
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	
Supervisor	Lai Wu-Lang									
Supervisor	Hu Jing-Ming	0	0	0	249	0	65	0	0.65%	None
Supervisor	Chen I-Tai									

Table of Remuneration Ranges

Ranges of Remunerations of Supervisors of the Company	Name of Supervisor	
	Total amount of remuneration in the first three items (A+B+C)	
	The Company (note 6)	Companies in the consolidated financial statements (Note 7) D
Less than NT\$ 1,000,000	-	Lai Wu-Lang, Hu Jing-Ming, Chen I-Tai, a total of 3 persons
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (exclusive)	-	-
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (exclusive)	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (exclusive)	-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (exclusive)	-	-
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (exclusive)	-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (exclusive)	-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (exclusive)	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (exclusive)	-	-
More than NT\$ 100,000,000	-	-
Total	-	3 persons

Note 1: The names of Supervisors shall be listed separately (for institutional shareholders, the names and representatives of institutional shareholders shall be listed separately), and the payment amount of each item shall be disclosed collectively.

Note 2: Refers to remuneration of supervisors in 2019 (including base compensation, special allowances, severance pay, bonuses etc.).

Note 3: Fill in amount of supervisors' remuneration approved by the Board of Directors for 2019.

Note 4: Refers to business-conducting expenses of supervisors in 2019 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration.

Note 5: The total amount of remuneration paid to the Company's Supervisors by all companies in the consolidated financial statements (including the Company) shall be disclosed.

Note 6: The total amount of remuneration paid by the Company to each Supervisor shall be disclosed with the name of supervisor in the corresponding column of the Table of Remuneration Ranges.

Note 7: The total amount of remuneration paid to the Company's Supervisors by all companies in the consolidated financial statements (including the Company) shall be disclosed with the name of supervisor in the corresponding column of the Table of Remuneration Ranges.

Note 8: Net profit after-tax means net profit after-tax in 2019 and the Company's net profit after-tax in 2019 was NT\$ 48,368 thousand.

Note 9: a. The amount of other compensations received by the Supervisor of the Company from the invested company other than the Company's subsidiaries or from the parent company should be filled in the column (if no, please fill in "no").

b. If the Supervisor of the Company receives remuneration from the invested companies other than the Company' s subsidiaries or from the parent company, the said remuneration shall be included in Column D in the Table of Remuneration Ranges. The name of the column shall also be changed to "parent company and all reinvested companies" .

c. Remuneration refers to remuneration, rewards (including remunerations of employees, directors, or supervisors), business-conducting expenses, and other related payments received by the Supervisor of the Company for being a director, supervisor, or manager of the invested companies other than the Company' s subsidiaries or the parent company.

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax purposes.

(III) Remuneration of General Managers and Deputy General Managers

(1) Remuneration of General Managers and Deputy General Managers

In Thousands of New Taiwan Dollars

Title	Name	Salaries (Note 2)		Retirement and Resignation Allowance (B)		Bonuses and Special Allowances, etc. (Note 3)		Amount of Employees' remuneration (Note 4)				The proportion of aggregate of A, B, C, and D in the net profit after-tax (%) (Note 8)		Remuneration from the invested companies other than the Company's subsidiaries or from the parent company (Note 9)
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company		All Consolidated Entities (Note 5)		The Company	Companies in the consolidated financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General manager	Liu I-Hsiao	0	24,294	0	108	0	0	0	0	0	0	0	50.45%	None
Production Center Chairman	Liu Hsin-Tsu													
Executive director of sales center	Liu Tsu-Kun													
Deputy General Managers	Yi Ying-Jiao													

* Regardless of their professional titles, any person with position equivalent to General manager, Assistant General Manager (e.g., President, CEO, Director...etc.) should be disclosed.

Table of Remuneration Ranges

Table of Remuneration Ranges for General Managers and Deputy General Managers of the Company	Name of General Manager and Assistant General Manager	
	The Company (note 6)	Companies in the consolidated financial statements (Note 7) E
Less than NT\$ 1,000,000	-	-
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (exclusive)	-	Yi Ying-Jiao, 1 person
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (exclusive)	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (exclusive)	-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (exclusive)	-	Liu Hsin-Tsu, Liu I-Hsiao, Liu Tsu-Kun, a total of 3 people
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (exclusive)	-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (exclusive)	-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (exclusive)	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (exclusive)	-	-
More than NT\$ 100,000,000	-	-
Total	-	4 people

Note 1: The names of General Managers and Assistant General Managers shall be listed separately, and the payment amount of each item shall be disclosed collectively. If a director also serves as a General Manager or Deputy General Manager, this form and the above form (1-1), or (1-2-1) and (1-2-2) should be filled.

Note 2: Refers to relevant base compensation, special allowances, and resignation allowance in 2019 received by the General Manager and Deputy General Managers.

Note 3: Refers to relevant bonuses, transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and service in 2019 received by the General Manager and Deputy General Managers. In case of the offer of housing, vehicle, and other transportation or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not included in the remuneration. The salary expenses recognized in accordance with IFRS2 "Share-based Payment" including obtaining employee stock warrants, new restricted employee shares, and participating in cash injection subscription shares, shall also be included in the remuneration.

Note 4: Refers to relevant remuneration (stock and cash) in 2019 received by the general manager and Deputy General Managers, it needs to be disclosed that the amount of compensation approved by the board of directors in 2019, if it may not be estimated, the estimated amount of the year will be calculated based on the proportion of the actual distribution amount last year, and the Table 1-3 should be completed.

Note 5: The total amount of remuneration paid to the Company's General Managers and Deputy General Managers by all companies in the consolidated financial statements (including the Company) shall be disclosed.

Note 6: The total amount of remuneration paid by the Company to each General Manager and Deputy General Manager shall be disclosed with the name of supervisor in the corresponding column of the Table of Remuneration Ranges.

Note 7: The total amount of remuneration paid to the Company's General Managers and Deputy General Managers by all companies in the consolidated financial statements (including the Company) shall be disclosed with the name of supervisor in the corresponding column of the Table of Remuneration Ranges.

Note 8: Net income means after-tax income in 2019 and the Company's after-tax loss in 2019 was NT\$ 48,368 thousand.

Note 9: a. The amount of other compensations received by the General Managers and Deputy General Managers of the Company from the invested company other than the Company's subsidiaries or from the parent company should be filled in the column (if no, please fill in "no").

b. If the General Managers and Deputy General Managers of the Company receives remuneration from the invested companies other than the Company's subsidiaries or from the parent company, the said remuneration shall be included in Column E in the Table of Remuneration Ranges. The name of the column shall also be changed to "parent company and all reinvested companies" .

c. Remuneration refers to remuneration, rewards (including remunerations of employees, directors, or supervisors), business-conducting expenses, and other related payments received by the General Managers and Deputy General Managers of the Company for being a director, supervisor, or manager of the invested companies other than the Company's subsidiaries or the parent company..

*The content of the remuneration disclosed in the form is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure and not for tax purposes.

(2) Names of Managers Provided with Employee's Remunerations and State of Payments

Mar. 24th, 2020

	Title (Note 1)	Name (Note 1)	Stock Dividends NTD	cash amount NTD	Total NTD	The aggregate amount as percentage of net income (%)
Manager	General manager	Liu I-Hsiao	0 thousand dollars	0 thousand dollars	0 thousand dollars	0%
	Production Center Chairman	Liu Hsin-Tsu				
	Executive director of sales center	Liu Tsu-Kun				
	Deputy General Managers	Yi Ying-Jiao				

Note 1: Names and titles shall be disclosed individually, but the amount of profit distributed shall be disclosed collectively.

Note 2: Fill in the relevant employees' remuneration (including stock and cash) approved by the board of directors for managers 2019. If it cannot be estimated, the proposed allocation amount of this year will be calculated in proportion to the actual allocation amount of last year. Net profit after-tax means net profit after-tax in 2019.

Note 3: According to FSC Tai-Tsai-Cheng-San-Ji 0920001301 on Mar. 27th, 2003, the scope of managers is as follow:

- (1) General Manager and equivalent
- (2) Deputy General Manager and equivalent
- (3) Assistant General Managers and equivalent
- (4) Supervisor of Finance Department
- (5) Supervisor of Accounting Department
- (6) Other people who have the right to manage affairs and with signing authority.

Note 4: If the Directors, General Managers and Deputy General Managers have received employees' remuneration (including stock and cash), they should fill in this form in addition to the Form 1-2.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by all companies included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and deputy general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration and its linkage to operating performance and future risk exposure.

1. Total remuneration, as a percentage of net income during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers:

In Thousands of New Taiwan Dollars

fiscal year	Total remuneration has paid to directors, supervisors, general managers, and assistant general managers.		The aggregate amount as percentage of net income	
	The Company	companies in consolidated financial statements	The Company	companies in consolidated financial statements
2018	0	22,465	0	-44.65%
2019	0	31,262	0	64.63%

Note: The remuneration including transportation, base compensation, salaries, bonuses and employees' compensation.

2. The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) The remuneration of the directors, the independent directors, and the supervisors are issued in accordance with the proportions of the company's articles of association and the overall value

of their positions in the company and the level of participation and contribution to the company's operations.

Articles of association 129. (C) If the company makes a profit at the end of the fiscal year; it pays no more than 3.5% for directors and supervisors; with cash only. The remuneration of the directors, the independent directors and the supervisors are reviewed by the remuneration committee and approved by the board of directors, which reviewed at any time and in accordance with the actual operating conditions and relevant laws and regulations.

- (2) The remuneration of general manager and assistant general managers are based on the position, contribution to the company and reference to peers, in accordance with the personnel rules of the company.
- (3) The remuneration of the directors, supervisors and managers of the Company has been reviewed by the Remuneration Committee and approved by the Board of Directors. The Company reviews the remuneration system in the light of the operating conditions and relevant laws and regulations to strike a balance between the Company's sustainable operation and risk control.

IV. The state of the Company's implementation of corporate governance

(I) Operations of the Board of Directors

5 (A) board meetings were held during 2019, and the attendances of directors and supervisors are as follows:

Title	Name (Note 1)	Attendance in Person B	Attendance by Proxy	Attendance Rate (%) [B/A] (Note 2)	Note
Chairman	Liu Chung-Hsin	5	0	100%	
Director	Lauer & Sons Corp. Representative: Chen Ming-Shan	5	0	100%	
Director	Liu Hsin-Tsu	4	1	80%	
Director	Lin Hong-Chi	5	0	100%	
Director	Lee Cheng-Ping	4	0	80%	
Director	Liu I-Hsiao	5	0	100%	
Director	Liu Tsu-Kun	3	1	60%	
Independent Director	Liu Kong-Hsin	5	0	100%	
Independent Director	Lin Yu-Siang	5	0	100%	
Supervisor	Lai Wu-Lang	4	0	80%	
Supervisor	Hu Jing-Ming	4	0	80%	
Supervisor	Chen I-Tai	5	0	100%	

Other issues to be noted:

I. The date, period, content of the proposal, the opinions of all independent directors and the company's responses on the independent directors shall be stated if any of the following circumstances occurs in the operation of board of directors:

(I) There are currently no issues opposed by independent directors as outlined in Article 14-3 of the Securities Transaction Law.

(II) In addition to the previous matters, other board matters where any independent director expresses dissent or abstention and it is contained in the minutes or a written statement: none, there is no director expresses dissent or abstention in the year.

II. Director recusal due to conflict of interests:

1. On Dec. 20th, 2019, the Board of Directors discussed the remuneration of the directors and supervisors for 2020. Independent directors - Mr. Liu Kong-Hsin and Mr. Lin Yu-Siang have refrained from discussion and voting regarding themselves.

2. On Dec. 20th, 2019, the Board of Directors discussed the remuneration of managers for 2020. Directors - Mr. Liu Hsin-Tsu, Ms. Liu I-Hsiao and Mr. Liu Tsu-Kun, who are concurrently the managers of the Company, refrained from discussion and voting in this case.

III. TWSE & TPEx Listed Companies shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self evaluation (evaluation among directors at the same level):

Evaluation Cycle	Period of Evaluation	Scope of Evaluation	Evaluation Method	Evaluation Content
Executed once in each year.	From Jan. 1st, 2020 to Dec. 31st, 2020	Board of directors and individual directors	Internal self-evaluation within the Board of Directors and self-evaluation of the board members	Measurement items for the performance of the Board of Directors: 1. Degree of participation in the operation of the company. 2. Improvement of the quality of the Board of Directors' decision-making. 3. Compositions and structure of the Board of Directors. 4. Selection and continuous improvement of

				<p>directors.</p> <p>5. Internal control.</p> <p>Measurement items for the self performance evaluation of board members</p> <p>1. Mastery of company objectives and tasks.</p> <p>2. Understanding of directors' duties.</p> <p>3. Degree of participation in the operation of the company's divisions</p> <p>4. Internal relationship management and communication.</p> <p>5. Professional and continuous improvement of directors.</p> <p>6. Internal control</p>
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IV. Goals of strengthening the functions of the Board for the current year and the most recent year and execution status assessment:

Goals of strengthening the functions of the Board	Execution status assessment
Complete board structure	To strengthen and enhance the functions of the Board, the Company has established the “Corporate Governance Best Practice Principles;” standardized the diversity of the board of directors and the professional skills required and elected a female board member at the shareholders' meeting on Jun. 16th, 2017.
Evaluating CPAs' independence regularly.	The Company evaluated the independence and competency on yearly basis of the CPAs with the functions and powers of the Board of Directors exercised. The CPAs have filed the statement of independence. The Company has assessed that the CPAs have no other financial interests and business relationships with the Company, and their family members do not violate independence, either.
Enhancing professional knowledge	The annual training hours of the directors of the Company were in compliance with the regulations of the competent authority. The Company encouraged relevant members of the board of directors to participate in various professional courses to continuously enrich new knowledge, so as to maintain their professional advantages and abilities, and the Company publicized relevant laws and regulations so as to comply with the laws and regulations
Strengthening the functions of the Board	The Company will set up an Audit Committee to replace the functions and powers of supervisors after the general election of directors at the shareholders' regular meeting on Jun. 30th, 2020.

Note 1: Where directors or supervisors who is a representative of the institutional shareholders, the name of the institutional shareholders and the name of the representative should be disclosed.

Note 2: (1) For those who have left the Board before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.

(2) Before end of the year, if there is a re-election of the supervisors or the directors, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of the board of directors during their term and the attendance in person count.

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors

1. The state of operations of the audit committee: not applicable (there is no audit committee in the Company)

2. The state of participation in board meetings by the supervisors:

5 (A) board meetings were held during 2019, the attendances of Board members are as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Note
Supervisor	Lai Wu-Lang	4	80%	
Supervisor	Hu Jing-Ming	4	80%	
Supervisor	Chen I-Tai	5	100%	

Other issues to be noted:

I. Composition and Responsibilities of the Supervisors:

1. Communication between supervisors and company employees and shareholders: The company has a special person who can contact the supervisor at any time to establish a communication channel with the company's employees and shareholders.

2. Communication between supervisors and internal auditor supervisor and external auditor: The auditing unit of the Company regularly provides audit reports to the board of directors and management, and delivers or informs the supervisors in accordance with regulations to implement the supervision mechanism. The implementation of the company's internal control system is in compliance with the regulations and continues to track operations. When the company convenes the board meeting, if the supervisors who attend the meeting have any opinions, they can communicate and discuss. If any major violations are discovered or the company has major damages, the relevant personnel will immediately make a report to the supervisors. The external auditor may report directly to the supervisor without the management.

II. The resolution of the board of directors shall state the date, period, content of the proposal, the opinions of all supervisors, and the company's responses on the supervisors if there is any opinion of supervisor occurs: there is no opinion of supervisor occurs.

Note:

*For those who have left the Board before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.

*Before the end of the year, if there is a re-election of the supervisors, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of the board of directors during their term and the attendance in person count.

(III) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such departure

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
I. Has the company formulated Corporate Governance Best Practice Principles according to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		To build an effective corporate governance structure, protect the rights and interests of shareholders, strengthen the powers of the board of directors, respect the rights and interests of stakeholders and enhance information transparency, the Company has established the “Corporate Governance Practice Principles” It is disclosed in MOPS and placed under the “Corporate Governance” of the company's website investor area for shareholders' enquiries.	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding Structure and Shareholders' Rights of the Company				
(I) Has the Company stipulated internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The Company has engaged a professional shareholder services agent to handle shareholders matters in Taiwan, and has designated the spokesperson and acting spokesperson(s) exclusively dedicated to handling shareholder proposals. The Company has established a stakeholders section and a contact window for shareholders' issues in the investor section of the Company's website to fully disclose the contact information, to ensure that feedback and shareholders concerns are considered and processed accordingly.	(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) According to Article 25 of the Securities and Exchange Act, a report on MOPS with the issuer of the changes in the number of shares, held by its directors, supervisors, managerial officers, and shareholders holding more than ten percent of the total shares of the Company held during the preceding month.	(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established and implemented risk management mechanisms and setup a "firewall" between the Company and its affiliated enterprises?	✓		(III) The Company has established policies of “Rules for governing the relevant financial and business operations between the company and its affiliated enterprises,” “Internal control system for monitoring and supervising subsidiaries,” the procedures for acquisition or disposal of assets for subsidiaries, the procedures for endorsement and guarantee, and the procedures for lending funds to other parties, and properly carry out risk assessments and establish appropriate firewalls for the company and its	(III) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		<p>affiliated enterprises according to the law.</p> <p>(IV) In addition to requiring directors, supervisors, managers and employees of the board of directors of the Company to comply with the requirements of the Securities Exchange Act, the Company has also established the “Rules on the prevention of insider trading” in prohibiting company insiders from trading securities using information not disclosed to the market.</p>	(IV) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Is the composition of the board of directors determined by taking appropriate policy based on diversity and ensure the actual implementation?</p>	✓		<p>(I) The Company has formulated “Corporate Governance Best Practice Principles,” where in Chapter 3 “Enhancing the Functions of the Board of Directors” has stated a policy based on diversity. The candidate nomination and election of directors shall be conducted in accordance with Articles of Association and “Rules for election of Directors and Supervisor” to ensure the policy on diversity and independence. There are a total of 9 directors of the Company currently. 33% of the directors are staff, the independent directors account for 22%, and the female directors account for 11%. The term of office of the two independent directors is 9 years. Among the directors of the Company, 6 are over 70 years old, and 3 are under 60 years old. All directors have different professional backgrounds and work fields to implement the policy of diversification of the board structure. In addition, the Company also focuses on gender equality in the composition of the board members. The target for female director ratio is more than 20%. Currently, the proportion of female directors in the Company is 11%. In the future, the Company will work towards this goal, and relevant professional fields are described in Note 1.</p>	(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) In addition to the Compensation Committee and Audit Committee, has the Company established other functional committees voluntarily?	✓		<p>(II) The Company has set up a Remuneration Committee in accordance with the law, and will set up an Audit Committee after the general election of directors at the regular meeting of shareholders in 2020. and will establish other functional committees as needed.</p>	(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
(III) Does the Company formulate rules and procedures for the Board of Directors' performance assessments, conduct performance evaluation on the Board of Directors on a regular basis every year, report the results of performance evaluation to the Board of Directors, and apply the results to the individual directors' remuneration and nomination for reappointment?	✓		(III) The Company passed the formulation of "Performance Evaluation Method of the Board of Directors" through the deliberation of the Remuneration Committee and the resolution of the Board of Directors on Mar. 24th, 2020. The scope of evaluation includes the performance evaluation of the Board of Directors and individual directors; the evaluation methods include internal self-evaluation of the Board of Directors, self-evaluation of Board members, or appointment of external professional institutions or experts or other appropriate methods. The Company will regularly evaluate the performance of the Board of Directors every year since 2020, and complete the performance evaluation of the Board of Directors and submit it to the Board of Directors before the first quarter of the next year. Based on the performance evaluation results of the Board of Directors, the Company's operating results, and the director's contribution to the Company's performance, the Company provides reasonable remuneration to the directors.	(III) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the company evaluated the external auditors' independence regularly?	✓		(IV) The Company selected Deloitte & Touche as its CPA firm, and the CPAs of this firm have issued statement of independence. The Company evaluated the CPAs' independence on a yearly basis. The Accounting Department of the Company assessed that the accountants Lu I-Chen and Lin Yi-Hui of Deloitte & Touche met the independence evaluation standards (Note 2), and passed by resolution of the Board of Directors on Mar. 24th, 2020.	(IV) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
IV. Whether the TWSE/TPEX listed companies are equipped with competent and appropriate number of corporate governance personnel, and specify the head of corporate governance to be responsible for corporate governance related matters (including but not limited to providing data required by directors and supervisors in the execution of business, assisting directors and supervisors to comply with laws and regulations, handling relevant matters of meetings of the Board of directors and shareholders' meeting in accordance with laws, and preparing records for the Board of Directors and shareholders' meetings, etc.)?		✓	<p>Although the Company has not set the head of corporate governance at present, the General Manager's Office is in charge of related matters to protect the rights and interests of shareholders, strengthen the powers of the Board of Directors, and the major responsibility is furnishing the information required for business execution by directors and supervisors.</p> <ol style="list-style-type: none"> 1. Applying for registration of incorporation or alteration 2. Handling matters relating to board meetings and shareholders meetings. 3. Producing minutes of board meetings and shareholders meetings 4. Assisting in on-boarding and continuous development of directors and supervisors 5. Furnishing information required for business execution by directors and supervisors 6. Assisting directors and supervisors with legal compliance 7. Other matters set out in the articles or corporation or contracts 	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
V. Has the Company established communication channel with stakeholders (including but not limited to shareholders, staff, customers, and suppliers), and designated a stakeholders' section on its website, and properly reply to the corporate social responsibility issues raised by the stakeholders?	✓		<p>The Company has established a contact window for shareholders' issues in the investor section of the Company's website to provide contact information of spokesmen, acting spokesmen and stock agents, and also has established a stakeholders section to properly respond to the concerns of stakeholders and ensure smooth communication channels.</p> <p>1. Shareholders: (1) The company convene a shareholder meeting every year, and the proposal is voted on a case-by-case basis. Shareholders can exercise voting rights electronically and fully participate in the voting process. (2) Monthly revenue and self-closing profit and loss are announced on MOPS and the Company's website.</p> <p>2. Staff: There are staff meeting held monthly. There are labor unions in Shanghai companies and Vietnamese companies. The important matters are fully coordinated and communicated by both parties.</p> <p>3. Customers: The Company communicates with customers for the customer complaints promptly, understands customer needs, promotes the interaction between the company and customers, and regularly reviews and improves at the production and sales meetings and quality control meetings.</p> <p>4. Suppliers: The procurement personnel, after consulting, comparing, and negotiating with a number of suppliers, determine the unit price, specifications, payment terms, delivery date, product, and service quality or other materials. The Company has established long-term close relationships, mutual trust and mutual benefit with suppliers to pursuit of sustainable win-win growth.</p>	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Has the Company engaged a professional shareholder services agent to handle shareholders matters?	✓		The Company engages a professional shareholder services agent, the Brokerage Registry and Transfer Services Department of Mega Securities Co., Ltd. to handle shareholders matters in Taiwan.	It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
<p>VII. Information Disclosure</p> <p>(I) Has the Company established a corporate website to disclose information regarding the company's financials, business and corporate governance status?</p> <p>(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?</p> <p>(III) Has the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and declared the financial reports of the first, second and third quarter and the operating conditions of each month before the prescribed period.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has set up a website to disclose company information including financial updates, business operations etc. and has designated personnel in charge of updating.</p> <p>(II) 1. The Company has set up Chinese websites but not in English. The implementation of a spokesman's system is also well executed and has designated personnel in charge of collecting and disclosing information. All company information including financial updates and business operations will be disclosed via spokesman system. 2. The materials and webcasting of investors' conference have been on the Company's website with designated personnel in charge of updating.</p> <p>(III) The Company has not announced the Company's annual financial report, financial reports of the first, second and third quarters, and operation of each month in advance. The Company has completed the announcement and reporting of the annual financial report, financial reports of the first, second and third quarter and the monthly operation within the prescribed time limit.</p>	<p>(I) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies; however, the English website of the company's website "Investor" has not been set up.</p> <p>(III) It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies; however, the English website of the company's website "Investor" has not been set up.</p>
<p>VIII. Has the Company provided any other material information that may assist in the understanding of corporate governance of the Company. (including but not limited to employee rights, care for colleagues, investor relations stakeholder related rights, board and supervisor training, risk management and risk evaluation standards, execution of customer</p>	<p>✓</p>		<p>(I) Employee rights and care for colleagues: All the prescribed measures of the company concerning labor relations are in accordance with relevant laws and regulations. And set up employee suggestion box and other feedback channels, any new or revised measures related to labor relations will be finalized after the labor and management have fully agreed with communication, in order to achieve a win-win situation.</p> <p>(II) Investor relations:</p>	<p>It has been processed in accordance with the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
service and policies, participation in liability insurance of directors and supervisors, etc.)			<p>The company convenes a shareholder meeting every year, and offers shareholders with questions and time for proposals. The spokesperson and other dedicated personnel will properly handle shareholder suggestions, doubts and disputes. The company handles relevant information announcements in accordance with the regulations of the competent authority of listing, and immediately provides information that may affect the decision of investors.</p> <p>(III) Suppliers relations: The procurement personnel, after consulting, comparing, and negotiating with a number of suppliers, determine the unit price, specifications, payment terms, delivery date, product, and service quality or other materials. The company has established long-term close relationships, mutual trust and mutual benefit with suppliers to pursuit of sustainable win-win growth.</p> <p>(IV) The rights regarding stakeholders: The Company established communication channel with banks, staff, customers, and suppliers with respect and maintaining their rights. The Company established a website of a stakeholder area in "Investor," to offer investors and stakeholder with highly transparent financial information.</p>	

Evaluation items		Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
		Yes	No	Summary Explanation	
(V) Continuing education status of Directors and Supervisors:					
Title	Name	Continuing education date	Organizer	Class title	Continuing education hour
Director	Liu Chung-Hsin	Apr. 16th, 2019	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3 hours
		Nov. 5th, 2019	Securities and Futures Institute	Discussion on the Development of International and Chinese Anti-tax Avoidance and How Enterprises Should Deal With It	3 hours
	Chen Ming-Shan	Aug. 16th, 2019	Taiwan Corporate Governance Association	Analysis of the Dispute Cases About the False Financial Statements of Directors	3 hours
		Aug. 30th, 2019	Taiwan Corporate Governance Association	First Step in Assessing the Truth About a Company's Operating Results: Financial Analysis and Constraints	3 hours
	Liu Hsin-Tsu	Dec. 18th, 2019	Securities and Futures Institute	How Do Directors and Supervisors of TWSE & TPEX Listed Companies Perform Their Duties	3 hours
		Dec. 18th, 2019	Securities and Futures Institute	Tips for Directors and Supervisors to Interpret Financial Information	3 hours
	Lin Hong-Chi	Mar. 7th, 2019	The National Federation of CPA Associations of the R.O.C.	Matters Needing Attention on the Updating of Income Tax Law of Profit-making Enterprises and Checking the Newly Added Declaration	3 hours
		Aug. 2nd, 2019	The National Federation of CPA Associations of the R.O.C.	Analysis of the latest interpretation letter of business tax and the case of tax administrative relief of tax protection law	3 hours
		Nov. 21st, 2019	The National Federation of CPA Associations of the R.O.C.	Application of The Internal Control System For Preventing Money Laundering And Combating The Finance of Terrorism By Accounting Firms, The Analysis of The Practical Operation of The Independent Directors and The Audit Committee	6 hours
	Lee Cheng-Ping	Aug. 30th, 2019	Taiwan Corporate Governance Association	First Step in Assessing The Truth About a Company's Operating Results: Financial Analysis and Constraints	3 hours
		Sep. 6th, 2019	Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management	3 hours
	Liu I-Hsiao	Apr. 16th, 2019	Taiwan Academy of Banking and Finance	Seminar on Corporate Governance and Corporate Sustainability	3 hours
		Nov. 12th, 2019	Securities and Futures Institute	Key Technologies and Application Opportunities Of 5g	3 hours
	Liu Tsu-Kun	Nov. 12th, 2019	Securities and Futures Institute	Key Technologies and Application Opportunities Of 5G	3 hours
		Nov. 12th, 2019	Securities and Futures Institute	How Can The Directors and Supervisors Supervise The Company To Do a Good Job in Fraud Detection and The Implement Whistle-Blowing Mechanism to Strengthen Corporate Governance	3 hours
Independent Director	Liu Kong-Hsin	Nov. 5th, 2019	Securities and Futures Institute	Discussion on The Development of International and Chinese Anti-tax Avoidance and How Enterprises Should Deal With It	3 hours

Evaluation items		Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
		Yes	No	Summary Explanation	
Lin Yu-Siang	Nov. 12th, 2019		Securities and Futures Institute	Key Technologies and Application Opportunities Of 5G	3 hours
	Mar. 8th, 2019		Taiwan Corporate Governance Association	Directors' Responsibility and Risk Management Under The Latest Corporate Governance Blueprint	3 hours
	Aug. 23rd, 2019		Taiwan Corporate Governance Association	Analysis of Top 10 Global Risks in 2019	3 hours
Supervisor	Lai Wu-Lang	Aug. 16th, 2019	Taiwan Corporate Governance Association	Analysis of The Dispute Cases About The False Financial Statements of Directors	3 hours
		Aug. 30th, 2019	Taiwan Corporate Governance Association	First Step in Assessing The Truth About a Company's Operating Results: Financial Analysis and Constraints	3 hours
	Hu Jing-Ming	May 17th, 2019	Taiwan Corporate Governance Association	Multinational Management and Sustainable Management	3 hours
		Aug. 30th, 2019	Taiwan Corporate Governance Association	First Step in Assessing The Truth About a Company's Operating Results: Financial Analysis and Constraints	3 hours
	Chen I-Tai	Aug. 16th, 2019	Taiwan Corporate Governance Association	Analysis of The Dispute Cases About The False Financial Statements of Directors	3 hours
		Aug. 23rd, 2019	Taiwan Corporate Governance Association	Analysis of Top 10 Global Risks in 2019	3 hours

Evaluation items	Status of Operation (Note)			Divergence from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation	
			<p>(VI) Implementation of risk management policies and risk measure The Company has established policies of the procedures for the acquisition or disposal of assets for subsidiaries, the procedures for endorsement and guarantee, the procedures for lending funds to other parties, and rules for governing the relevant financial and business operations between the company and its affiliated enterprises, in order to be used as the risk control basis and risk measurement standard for internal audit units.</p> <p>(VII) Implementation of customer policy The company is committed to meeting customer needs in providing customers with good services and products. The company dedicated staff communicates with customers for the products promptly, understands customer needs, promotes the interaction between the company and customers, and regularly reviews and improves in the production and sales meetings and quality control meetings.</p> <p>(VIII) Implementation of the liability insurance for directors and supervisors The Company has purchased directors and supervisors' liability insurance for the company on Sep. 20th, 2019 for USD 3 million. The period was from Sep. 20th, 2019 to Sep. 20th, 2020, and was reported to the Board of Directors on Nov. 11th, 2019.</p>	
<p>IX. The TWSE Corporate Governance Center released its Corporate Governance Evaluation results. Please disclose any improvements done, and plans for future improvements. (those who are not included are not required to fill out)</p> <p>(I) Improvements:</p> <ol style="list-style-type: none"> 1. The Company has prepared the English version of the Meeting Handbook, the English version of the financial statements and the English version of the annual report at the 2019 shareholders' regular meeting. 2. The Company has disclosed the explanation of the analysis of asset safety risk assessment in the annual report of 2018. <p>(II) Future improvements:</p> <ol style="list-style-type: none"> 1. The Company has been invited (self) to hold at least two Investor Conferences based on the company's operations and financial status, not considered. 2. Based on the Company's operating conditions, the Company does not consider the preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information. 3. The Company signs a collective agreement with the employee: The Company has not established a professional association and it is not necessary to sign a collective agreement according to the Collective Agreement Act. 				

Note: Regardless of whether or not the checked box is "Yes" or "No," it should be stated in the summary description field.

Note 1: Professional backgrounds of the directors

Diversity core item Name of directors	Gender	Management	Leadership and decision	Industrial knowledge	Finance and accounting	Law
Liu Chung-Hsin	Male	✓	✓	✓		
Chen Ming-Shan	Male	✓	✓			
Lin Hong-Chi	Male	✓	✓		✓	
Liu Hsin-Tsu	Male	✓	✓	✓		
Lee Cheng-Ping	Male	✓	✓			
Liu I-Hsiao	Female	✓	✓	✓		
Liu Tsu-Kun	Male	✓	✓	✓		
Liu Kong-Hsin	Male	✓	✓	✓		
Lin Yu-Siang	Male	✓	✓			✓

Note 2: Standards of evaluating CPAs' independence

Item No.	Evaluation items	Evaluation results
1	The CPAs and their spouses and dependents do not hold any significant financial interest in the Company, directly or indirectly.	Yes
2	The CPAs and their spouses and dependents have no business relationship with the Company or directors, supervisors or managers of the Company that would affect their independence.	Yes
3	During the audit period, the CPAs and their spouses and dependents did not hold the posts of directors, supervisors, managers of the Company or positions that had a direct and significant impact on the audit.	Yes
4	The CPAs have no relationship with directors or managers of the Company such as spouses, lineal relatives, relatives in-law or collateral relatives within the second degree of kinship..	Yes
5	The CPAs have not received any present or gift of significant value from the Company or from the directors, managers or major shareholders of the Company.	Yes
6	The CPAs have implemented the necessary procedures for independence/conflict of interest without any violation of independence or unresolved conflict of interest.	Yes

(IV) Operating status of the Compensation Committee

(1) Members information of Compensation Committee

Status (Note 1)	Name	Have more than five years of work experience And the following professional qualifications			Complied with independence (Note 2)										The number of members of the Compensation Committee served of other public offering companies	Note	
		An instructor or higher 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 area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lin Yu-Siang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Liu Kong-Hsin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Others	Chien Chih-Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Please Fill in director, independent director, or others in the field status.

Note 2: Each member meets the following conditions during the two years prior to the election and during the term of office, please place "✓" in the space below each condition code.

- (1) Not an employee of the Company or any of its related enterprises.
- (2) Not a director or supervisor of the Company or any of its related companies (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (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 any other's name, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not the spouse, lineal relative within the second degree of kinship or relative within the third degree of kinship of the managers listed in (1) or the personnel listed in (2) and (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who directly holds more than 5% of the total issued shares of the Company, or ranks top five in terms of number of shares held, or appoints representatives as directors or supervisors of the company in accordance with Article 27 (1) or (2) of the Company Act (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (6) Not a director, supervisor or employee of other companies whose half of the shares are controlled by the same person holding more than half of the number of directors or voting shares of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (7) Not a (managing) director, (managing) supervisor or employee of other companies or institutions who is the same person or spouse of the Chairman, General Manager or equivalent of the Company (not applicable to the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).
- (8) Not a (managing) director, (managing) supervisor, manager or shareholder holding more than 5% of the shares of a

particular company or institution that has financial or business relationship with the Company (not applicable to the companies or institutions holding more than 20%, but less than 50% of shares of the Company, and the person who concurrently serves as an independent director appointed by the Company, its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Act or local laws).

- (9) Not a business owner, partner, director, supervisor, manager and spouse thereof of a professional, sole proprietorship, partnership, company or institution that provides auditing, business, legal, financial, accounting or other related services for which the cumulative remuneration in the last two years has not exceeded NT\$500,000. However, this restriction is not applicable to members of the Remuneration Committee, Public Tender Offers Committee, or Merger & Acquisition Committee who execute duties pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.

(10) No matter of Article 30 of the Company Act occurred .

(II) Operating information of the Compensation Committee

I. There are 3 members of the Committee.

II. Terms: June 26, 2017 to June 15, 2020

2 (A) meetings of the Remuneration Committee were held during 2019. The qualification of the members and attendance are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Note
Chairperson	Lin Yu-Siang	2	0	100%	
Member	Liu Kong-Hsin	2	0	100%	
Member	Chien Chih-Jen	2	0	100%	
Other issues to be noted:					
1. The resolution of the Board of Directors shall state the date, period, content of the proposal, the opinions of supervisors, and the company's responses on the Compensation Committee if there is any opinion of Compensation Committee occurs: there is no such status.					
2. The resolution of the Compensation Committee where any member expresses dissent or abstention and it is contained in the minutes or a written statement shall state the date, period, content of the proposal, the opinions of all members, and the company's responses: there is no such status.					

Note:

- (1) For those members who have left the Compensation Committee before the end of the fiscal year, the resignation date should be specified in the remarks column. The attendance rate (%) will be calculated based the attendance in person count during their term.
- (2) Before end of the year, if there is a re-election of the members, list the previous ones and new ones, and marks in the remarks column indicate status of terms of previous, new, or re-elected and re-elected. The attendance rate (%) is calculated based on the number of meetings of Compensation Committee during their term and the attendance in person count.

(3) Proposals and resolutions of the Compensation Committee

Remuneration Committee	Content of the proposal and follow up	Resolution result	The Company's responses to the opinions of Remuneration Committee
6th meeting of the 3rd term Nov. 11th, 2019	1. Approve the proposal on the remuneration of the Company's new chief accountant.	Approved with no objection.	The proposal was submitted to the Board of Directors and was approved by all the attending directors.

Remuneration Committee	Content of the proposal and follow up	Resolution result	The Company's responses to the opinions of Remuneration Committee
7th meeting of the 3rd term Dec. 20th, 2019	1. Approve the proposal on the remuneration of the Company's directors, supervisors and employees in 2020.	Approved with no objection.	The proposal was submitted to the Board of Directors and was approved by all the attending directors. Board of Directors
	2. Approve the proposal on the remunerations of the Company's directors and supervisors in 2020	Approved with no objection.	The proposal was submitted to the Board of Directors and was approved by all the attending directors. Board of Directors
	3. Approve the proposal on the remuneration of the Company's managers in 2020.	Approved with no objection.	The proposal was submitted to the Board of Directors and was approved by all the attending directors. Board of Directors

(4) Scope of duties of the Compensation Committee

1. The Remuneration Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:
 - ① Formulate and regularly review the Company's policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers.
 - ② Evaluate the remuneration of the Company's directors and managers on a regular basis.
2. The Remuneration Committee shall perform the duties under the preceding paragraph in accordance with the following principles:
 - ① For the performance evaluation and remuneration of directors and managers, the Remuneration Committee shall take into account the usual level of remuneration in the same industry and consider the rationality of the correlation between remuneration and individual performance, business performance and future risks..
 - ② There shall be no incentives for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
 - ③ The Remuneration Committee shall take into account the characteristics of the industry and the nature of the Company's business to determine the proportion of short-term performance remuneration paid to directors and senior managers and the time for the payment of part of the variable remuneration.

(V) Performance of social responsibility and differences between the performance and Code of Practice on Corporate Social Responsibility of TWSE/TPEX Listed Companies and reasons

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
I. Have the Company conducted risk assessment on environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	✓		The Company has established “Corporate Social Responsibility Best Practice Principles” to implement corporate governance, promote the development of a sustainable environment, and maintain social welfare. The Company's "Administrative Measures for Prevention of Insider Trading" and "Internal Control System Self-Assessment Procedures" are set for the implementation of risk management policies, and the contents are prepared in accordance with relevant laws and regulations.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?		✓	The Company has not established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility. But the related units have performed accordingly.	There is no significant divergence.
III. Environmental Issues (I) Has the Company set a suitable environmental management system designed to industry characteristics?	✓		(I) The Company has obtained ISO14001 environmental management system certification, and has established an environmental management system and considered the safety and health risk control of employees based on the needs of environmental protection awareness and pollution prevention management to reduce the impact on the environment and ensure that no harm will be caused to human body.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
(II) Does the Company committed to improving resource efficiency and to the use of renewable materials with low environmental	✓		(II) In order to reduce the use of resources, the Company uses the ERP system and e-mail to save the printing of letters	Complied with Corporate Social Responsibility Best Practice Principles

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
<p>impact?</p> <p>(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures to respond climate-related issues?</p> <p>(IV) Has the Company carried out statistic on the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, and waste management?</p>	<p>✓</p>	<p>✓</p>	<p>in an electronical way and actively make full and effective use of resources to reduce the generation of waste. The Vietnam factory introduces paperless work orders in the ERP system in Vietnam, and installs sewage treatment equipment and wastewater treatment tank in wastewater treatment. In the process of making rattan and powder coating by the Vietnamese subsidiary, the remaining rattan and powder recycling has been recycled, which will reduce the environmental load to protect the earth's resources. °</p> <p>(III) The Company attaches great importance to the issues related to climate change. Extreme weather has a direct impact on the Company's operation, thus increasing the operational risks. The Company also actively develops green and environment-friendly raw materials and promotes energy conservation and carbon reduction to improve the efficiency of resource use.</p> <p>(IV) The Company conducts regular tests on gas emission, water consumption and total weight of waste in accordance with the regulations of the industrial zone in which it is located, and the results are in accordance with the testing standards specified in the regulations.</p>	<p>for TWSE/TPEX Listed Companies and reasons.</p> <p>Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.</p> <p>There is no significant divergence.</p>
<p>IV. Social issues</p> <p>(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	<p>✓</p>		<p>(I) The Company complied with the basic labor human rights of International Bill of Human Rights, including prohibiting child labor, eliminating employment and occupational discrimination, prohibiting forced labor and providing a safe and healthy working environment, as well as complied</p>	<p>Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.</p>

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		<p>with labor-related regulations. The main operating areas are Shanghai, China and Vietnam. Where there are trade union organizations to protect the legitimate rights and interests of employees, and to provide social insurance according to local regulations.</p> <p>The major issues of labor rights labor are communicated and coordinated by representatives of employers and management of the Group to ensure the harmony between labor and management.</p> <p>(II) The main operating entities of the Company, Keysheen Industry (Shanghai) Co., Ltd. and Keysheen Vietnam Ltd., have set up a Trade Union Committees, the members of which are responsible for handling various employee welfare matters, and provide market competitive welfare policies and measures to motivate employees in accordance with the relevant laws and regulations of the local government. In addition, the Company will pay performance bonuses and special awards according to the operating conditions to share the earnings with colleagues.</p>	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		<p>(III) The Group has formulated safety management standardized operation instructions, irregularly implemented safety and health education training for employees. In addition, the Company has formulated relevant measures for safety work such as wearing labor protection appliances, fire drill, etc., in order to reduce the harm of work environment to employees' safety and health.</p>	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
(IV) Has the Company established effective career development training plans for the employees?	✓		(IV) The Company and its subsidiaries, in accordance with actual needs, construct a complete and diversified career development plan, and make plans for employee training courses to strengthen the professional knowledge, skills and expertise of employees, so as to improve their work performance and cultivate excellent teams and talents. The training courses include the training of new employees, on-the-job professional training, labor safety, occupational safety, fire fighting training, first aid training, survival education training and other courses.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	✓		(V) The Company attaches great importance to fully understand the customer from the customer's perspective, and has set up after-sales service center with telephone, network and other service platforms provided, so that consumers can communicate with the relevant issues through the above platform, and the Company provides transparent and effective customer complaint processing procedures to protect the rights and interests of consumers.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	✓		(VI) The Company keeps close cooperation with suppliers to jointly improve corporate social responsibility. Suppliers are required to comply with local labor law, environmental protection law, etc. The Company protects labor safety and prevent environmental pollution hazards, and works with suppliers to develop and apply green environmental protection materials to reduce environmental pollution.	Complied with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons.

Evaluation items	Status of Operation (Note 1)			Divergence from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Explanation (Note 2)	
V. Does the Company follow the international reports to prepare standards or guidelines, corporate social responsibility reports and other reports that disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company has not yet prepared the Corporate Social Responsibility Report, and will make timely preparation in the future considering the international trend and market changes.	There is no significant divergence.
VI. If the Company has established Corporate Social Responsibility Best Practice Principles according to “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please state the divergence reasons: the Company has established Corporate Social Responsibility Best Practice Principles according to “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” with no significant divergence.				
VII. Other information related to corporate social responsibility initiatives: The company will participate in social services and charitable activities from time to time and actively participate in neighbors related activities. Strive to run the business, provide a stable and high-quality work environment for employees and seek maximum benefits for the relevant stakeholders of the company.				

Note 1: If "Yes" under the "Status of Operations" is ticked off, please explain the key policies, strategies, and measures adopted and their implementation results; if "No" is ticked off, please give the reason and specify related policies, strategies, and measures to be adopted in the future.

Note 2: If the Company has produced corporate social responsibility reports, summary explanation may be replaced by referring produced corporate social responsibility reports and index pages.

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the company's investors and other stakeholders.

(VI) Implementation of ethical corporate management and difference between the implementation and Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies and reasons.

Evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
	Yes	No	Summary Explanation	
I. Establishing policies and plans for ethical corporate management				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Company has passed the formulated "Ethical Corporate Management Best Practice Principles" by the Board of Directors on Mar. 16th, 2012. The members of the Board of Directors and the senior management of the Company adhered to the principle of ethical corporate management while conducting business and complied by the relevant laws and regulations.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) In the "Ethical Corporate Management Best Practice Principles", the Company explicitly specifies that it is necessary to conduct business activities in good faith, prohibit bribery and acceptance of bribes, prohibit illegal political donation, prohibit improper charitable donation or sponsorship, prohibit the provision or acceptance of unreasonable gifts, hospitality or other improper interests, prohibit infringement of intellectual property rights, prohibit unfair competition, prevent the damage of products or services to interested parties, etc. to implement the ethical corporate management policy.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the company provide any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	✓		(III) The Company has established "Regulations governing whistle-blowing system of illegal, immoral, and unethical acts" in prohibition of unethical acts, and disciplinary and appeal system for handling violations.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
	Yes	No	Summary Explanation	
<p>II. Implementing ethical management</p> <p>(I) Has the Company assessed trading counterparties of the ethical records, while entering into contracts that shall be included in such contracts terms requiring compliance with ethical corporate management policy?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the Company adopted policies for preventing conflicts of interest with providing an appropriate means and ensure their actual implementation?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) The Company strictly prohibits any improper or unethical behavior in commercial activities and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.</p> <p>(II) The Company has not established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the ethical corporate management. But the related units have performed accordingly.</p> <p>(III) In order to guide the conduct of all personnel of the Company in line with the ethical standards in addition to strengthening compliance with the relevant laws and regulations, while the personnel of the Company are determined to refrain from engaging in actions with conflict of business, they should be evaded and reported to the directly-administered and responsible units to avoid the illegitimate interests of the relevant persons and damage the interests of the company and investors.</p> <p>(IV) The Company has established a complete and feasible accounting and internal control system. The internal audit unit formulates relevant audit plans according to the risk assessment results of dishonest behaviors, regularly checks the relevant departments according to the content of the plan, whether the operation of the enterprise complies with the internal control system, and reports the results to the Board of Directors regularly. Review and correct the lack of internal control system in a timely manner to ensure the continuous and effective</p>	<p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>There is no significant divergence.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
	Yes	No	Summary Explanation	
(V) Has the Company regularly held education training on the implementation of the ethical corporate management?	✓		implementation of the internal control system. (V) Through monthly meetings, the Company regularly promotes and enhances employees to understand concepts and practices of the ethical corporate management.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
III. Status of whistle-blowing system operations				
(I) Has the company established a specific whistle-blowing system and incentive system with convenient reporting channels and assigned appropriate personnel to the respondents?	✓		(I) The Company has established “Regulations governing whistle-blowing system of illegal, immoral and unethical acts.” Staff may report whistle-blowing issues via telephone, e-mail, or fax. According to the said regulations, if the case is found to be true and the circumstances are serious, it shall be reported to the General Manager for further process. After accepting the whistle-blowing, the accepting unit shall attach relevant documents and set up a case handling team to conduct a follow-up investigation and follow-up by the responsible unit.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(II) The company has an employee whistle-blowing unit to accept the case. All the personnel involved in the process, will verify the process through strictly confidential channel and keep confidential the identity of the whistle-blowers to protect the whistle-blowers.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company taken measures to protect the whistle-blowers from improper treatment?	✓		(III) The company is responsible for the confidentiality of the whistle-blower, preventing the person from being improperly dismissed and suffer from retaliation in the workplace.	Complied with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Enhance disclosure of corporate social responsibility information.				
(I) Has the Company disclosed contents and promoted results of the	✓		(I) The Company has disclosed Ethical Corporate	Complied with the Ethical

Evaluation items	Status of Operation (Note 1)			Divergence from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons.
	Yes	No	Summary Explanation	
Ethical Corporate Management Best Practice Principles at the Company website and MOPS?			Management Best Practice Principles at the MOPS and website for the shareholders to inquire from.	Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. If the Company has established Ethical Corporate Management Best Practice Principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please state the divergence reasons: the Company has established “Ethical Corporate Management Best Practice Principles” according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” with no significant divergence.				
VI. Other information relating to Ethical Corporate Management Best Practice Principles: (such as the amendment of Ethical Corporate Management Best Practice Principles) The Company will keep an eye on the development of the relevant regulations on of ethical corporate management and encourage the directors, supervisors, managers and employees to make suggestions to improve the said Practice Principles. The Board of Directors of the Company has approved the amendment of the "Ethical Corporate Management Best Practice Principles" on Mar. 24th, 2020 to improve the effectiveness of the company's ethical management.				

Note: Regardless of whether or not the check box is "Yes" or "No," it should be stated in the summary description field.

(VII) If the company has adopted corporate governance best practice principles or related bylaws, disclose how these are to be searched.

The company has adopted Corporate Governance Best Practice Principles, Ethical code of conduct, Ethical Corporate Management Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Regulations governing whistle-blowing system of illegal, immoral, and unethical acts, Rules and Procedures of Shareholders’ Meeting, Rules and Procedures of Board of Directors, Rules for the election of directors and supervisors, rules for governing the relevant financial and business operations between the company and its affiliated enterprises and comprehensive internal control and internal audit systems to implement and promote corporate governance. And the related policies have disclosed under the “Corporate Governance” of the company's website investor area for shareholders' enquiries.

(VIII) Other important information sufficient to enhance the understanding of the operation of corporate governance:

There is a specific area of corporate governance status and related policies of the company at the website for shareholders' enquiries. The major resolutions of the Board of Directors have disclosed on the company's website, based on the principle of openness and transparency of information to protect shareholders' rights.

(IX) The state of implementation of the company's internal control system

1. Statement on Internal Control

Keysheen (Cayman) Holdings Co., Limited and major subsidiaries Statement of Internal Control System

Date: Mar. 24th, 2020

Based on the findings of a self-assessment, the Company states the following with regards to its internal control system in 2019:

- I. We acknowledge that it is the responsibility of the Company's Board of Directors and managers to establish, implement, and maintain the internal control system. We have established said system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including revenue, performance, and asset safety) and reporting are reliable, timely and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and takes corrective actions whenever a deficiency is identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identifies five components of internal control based on the process of management control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring operations. Each component further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, during the period, its internal control system in Dec. 31st, 2019 (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timely and transparent of the reporting, and compliance with applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
- VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Report has been passed by the Board of Directors on Mar. 24th, 2020, Among the eight directors present at the meeting, zero members had objections, and the rest agreed to the statement herein

Keysheen (Cayman) Holdings Co., Limited

Chairman: LIU CHUNG-HSIN

General Manager: LIU I-HSIAO

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: N/A

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, or any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: N/A.

(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Material resolutions of shareholders meeting

Date	Resolutions	Resolution result and execution status
General Shareholders' Meeting on Jun. 12th, 2019	1. To approve the Company's 2018 Business Report and Consolidated Financial Statements.	After the voting from attending shareholders, the proportion of approval was 94.02%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally.
	2. To approve accepted the Company's 2018 earnings distribution plan.	The Company suffered a loss after tax in 2018, so no dividends and bonuses were distributed to shareholders. After attending the shareholders' voting, the proportion of approval was 94.02%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally.
	3. To discuss the proposal on amendment to some articles of the Company's Articles of Association.	1. After the voting from attending shareholders, the proportion of approval was 94.03%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally. 2. The Company acted in accordance with the amended Articles of Association and disclosed the amended Articles of Association on the Company's website.
	4. To discuss the proposal on amendment of some articles of the Company's "Operational Procedures for Acquisition or Disposal of Assets".	1. After the voting from attending shareholders, the proportion of approval was 94.03%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally.

Date	Resolutions	Resolution result and execution status
		2. The Company followed the amended Operational Procedures for Acquisition or Disposal of Assets, and reported the amended Procedures to the Market Observation Post System and the Company's website on Jun 18th, 2019.
	5. To discuss the proposal on amendment of some articles of the Company's "Procedures for Lending Funds to Others"	1. After attending the shareholders' voting, the proportion of approval was 94.03%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally. 2. The Company followed the amended Procedures for Lending Funds to Others, and reported the revised Procedures to the Market Observation Post System and the Company's website on Jun 18th, 2019.
	6. To discuss the proposal on amendment of some article of the Company's "Endorsement Guarantee Operation Procedures".	1. After attending the shareholders' voting, the proportion of approval was 94.03%, the proportion of opposition was 0%, the ratio of invalidity was 0%, and the ratio of abstention/non-voting was 5.96%. The case was voted on as originally. 2. The Company followed the amended Endorsement Guarantee Operation Procedures, and reported the revised Procedures to the Market Observation Post System and the Company's website on Jun 18th, 2019.

2. Material resolutions of the meeting of Board of Directors

Date	Resolutions	Note
11th meeting of the 4th term on Mar. 13th, 2019	1. Approved the evaluation of independence and competence of CPAs in 2019.	Approved with no objections.
	2. Approved the engagement of the Company's CPA's firm and its professional fees in 2019.	
	3. Approved the Company's 2018 business report and consolidated financial statements.	
	4. Approved the Company's 2018 earnings distribution plan.	
	5. Approved the amendment of some articles of the Company's Articles of Association.	
	6. Approved the proposal on amendment of some articles of the Company's "Operational Procedures for Acquisition or Disposal of Assets".	
	7. Approved the proposal on amendment of some articles of the Company's "Corporate Governance Best Practice Principles".	
	8. Approved the date, place, and proposals of the 2019 General Shareholders Meeting.	

Date	Resolutions	Note
	9. Approved the right of proposals submitted by the shareholders at the 2019 General Shareholders' Meeting. 10. Approved the Company's "Statement of Internal Control System" of 2018.	
12th meeting of the 4th term on Apr. 30th, 2019	1. Approved the proposal on amendment to some articles of the Company's "Procedures for Lending Funds to Others" 2. Approved the proposal on amendment to some articles of the Company's "Endorsement Guarantee Operation Procedures" 3. Approved the proposal on the addition of some articles of the Company's "Standard Operating Procedures for Handling Directors' Requirements". 4. Approved the proposal on amendment to the agenda of the Company's 2019 regular meeting of shareholders. 5. Approved the proposal on amendment to the Company's audit plan for 2019. 6. Approved the proposal on application for extension of credit line from China Trust Commercial Bank. 7. Approved the proposal on providing endorsement guarantees for subsidiaries.	Approved with no objections.
13th meeting of the 4th term on Aug. 8th, 2019	1. Approved the proposal on replacing the Company's Chief Accountant. 2. Approved the consolidated financial statements of the Company for the second quarter of 2019. 3. Approved the proposal on applying for credit line from China Trust Commercial Bank and providing endorsement guarantee for subsidiaries.	Approved with no objections.
14th meeting of the 4th term on Nov. 11th, 2019	1. Approved the proposal on replacing the Company's CPAs 2. Approved the consolidated financial statements of the Company for the third quarter of 2019. 3. Approved the proposal for the approval of the bank's credit line. 4. Approved the proposal on providing endorsement guarantees for subsidiaries. 5. Approved the proposal on canceling the provision of endorsement guarantees for subsidiaries. 6. Approved the proposal on the remuneration of the Company's new Chief Accountant.	Approved with no objections.
15th meeting of the 4th term on Dec. 20th, 2019	1. Approved the proposal on providing endorsement guarantee for subsidiaries. 2. Approved the Company's audit plan for 2020. 3. Approved the proposal of the Company's remuneration plan for directors, supervisors and employees in 2020. 4. Approved the proposal on remuneration of the Company's directors and supervisors in 2020.	Approved with no objections.

Date	Resolutions	Note
	<p>5. Approved the proposal on remuneration of the Company's managers in 2020.</p> <p>6. Approved the Company's operation plan for 2020.</p> <p>7. Approved the proposal on authorizing the signing of letter of intent for sale and purchase of land assets of the subsidiary - Keysheen Industry.</p>	
<p>16th meeting of the 4th term on Mar. 24th, 2020</p>	<p>1. Approved the proposal on the evaluation of the independence and competence of CPAs in 2020.</p> <p>2. Approved the proposal on appointment and remuneration of the Company's CPAs in 2020.</p> <p>3. Approved the proposal on the Company's business report and consolidated financial statements for 2019.</p> <p>4. Approved the proposal on the Company's earnings distribution in 2019.</p> <p>5. Approved the proposal on the Company's distribution of employee remuneration and directors' and supervisors' remuneration in 2019.</p> <p>6. Approved the proposal on amendment to some articles of the Company's "Articles of Association".</p> <p>7. Approved the proposal on amendment to some articles of the Company's "Operational Procedures for Acquisition or Disposal of Assets".</p> <p>8. Approved the proposal on amendment to some articles of the Company's "Procedures for Lending Funds to Others".</p> <p>9. Approved the proposal on amendment to some articles of the Company's "Endorsement Guarantee Operation Procedures".</p> <p>10. Approved the proposal on amendment to some articles of the Company's "Methods for Election of Directors and Supervisors".</p> <p>11. Approved the proposal on amendment to some articles of the Company's "Rules on Deliberation of the Shareholders Meetings".</p> <p>12. Approved the proposal on amendment to some articles of the Company's "Ethical Corporate Management Best Practice Principles".</p> <p>13. Approved the proposal on amendment to some articles of the Company's "Code of Ethical Conduct".</p> <p>14. Approved the proposal on amendment to some articles of the Company's "Rules on Deliberation of the Board Meetings".</p> <p>15. Approved the proposal on overall re-election of the Company's directors.</p>	<p>Approved with no objections.</p>

Date	Resolutions	Note
	16. Approved the proposal on lifting the restriction on the prohibition of the newly appointed directors' competing behaviors.	
	17. Approved the date, place, and proposals of the 2020 General Shareholders Meeting.	
	18. Approved the proposal on accepting the shareholders' proposal rights at the Company's general meeting in 2020.	
	19. Approved the proposal for the company's acceptance of the shareholder's nomination right.	
	20. Approved the proposal on amendment to some articles of the Company's "Articles of Association of Remuneration Committee".	
	21. Approved the proposal on updating of some articles of the Company's "Methods for Performance Evaluation of the Board of Directors".	
	22. Approved the Company's audit plan for 2020.	
	23. Approved the proposal of the Company to issue the "Declaration of Internal Control System" in 2019.	

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: N/A.

(XIII) Summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, chief accountant, principal financial officer, chief internal auditor, head of corporate governance and principal research and development officer.

Summary of resignations and dismissals of the company's concerned personnel

May 12th, 2020

Title	Name	Assuming Date	Leaving Date	Reasons for Resignation or Discharge
Chief Accountant	Lin Yi-Ting	Jan. 1st, 2019	Apr. 30th, 2019	Lin Yi-Ting resigned as the Chief Accountant on Apr. 30th, 2019 due to her personal career planning. Yi Ying-Jiao, deputy general manager, was appointed as the Chief Accountant.

Note: The Company's related personnel includes chairman, general manager, Chief Accountant, principal financial officer, chief internal auditor, head of corporate governance and principal research and development officer.

V. Information on CPA professional fees

Name of the accountant firm	Name of the certified public accountant		Audit period	Note
Deloitte and Touche Taipei, Taiwan	Kuo Nai-Hua	Lee Li-Huang	Jan. 1st, 2019 – Sep. 30th, 2019	Internal adjustment
	Lu I-Chen	Lin Yi-Hui	Oct. 1st, 2019 – Dec. 31st, 2019	

Note: If the Company has replaced its certified public accountant or the firm within the current year, it shall disclose each audit period and reason for replacement in the note.

Tier information on CPA professional fees

Unit: in thousand NT\$

CPA professional fees item		Audit fee	Non-audit fee	Total
Amount level				
1	less than 2 million			
2	2 million (inclusive) to 4 million			
3	4 million (inclusive) to 6 million	✓		✓
4	6 million (inclusive) to 8 million			
5	8 million (inclusive) to 10 million			
6	10 million or more			

- When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: N/A

Information on CPA professional fees

Unit: in thousand NTD

Name of the accountant firm	CPA's Name	Audit fee	Non-audit fee					Audit period	Note
			System Design	Business registration	human resources	Others (Note 2)	Sub-total		
Deloitte and Touche Taipei, Taiwan	Kuo Nai-Hua	5,800	0	0	0	0	0	Jan. 1st, 2019 - Sep. 30th, 2019	
	Lee Li-Huang								
	Lu I-Chen							Oct. 1st, 2019 - Dec. 31st, 2019	
	Lin Yi-Hui								

Note 1: If the company has replaced its certified public accountant or the firm within current year, it shall disclose each audit period and reason for replacement in the note, and disclose the audit fee and non-audit fees paid.

Note 2: The amounts of non-audit fees as well as details of non-audit services shall be disclosed. When "others" of the non-audit fees has been 25% or more of the non-audit fees, the service details shall be disclosed in the notes.

2. When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.
3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.

VI. 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:

(I) Regarding the former certified public accountant:

Date of replacement	Oct. 3rd, 2019		
Reason for replacement	According to the internal operations of the accounting firm, the certified public accountants, Kuo Nai-Hu and Lee Li-Huang, in the third quarter of 2019 was replaced by Lu I-Chen and Lin Yi-Hui.		
Specifying whether or not it was the certified public accountant that voluntarily ended the engagement or declined further engagement or it was the company that terminated or discontinued the engagement.	Party	Certified public accountant	Appointer
	Status	Not applicable	
	Terminate the engagement Voluntarily ended the engagement or declined further engagement		
The audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.	None		
Whether or not there was any disagreement with the company	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Others
	None	V	
Details: be omitted			
Other disclosures (The items A (d) to A(g) of the sixth paragraph of Article 10 of the Regulations shall be disclosed.)	None		

(II) Regarding the successor certified public accountant:

Name of the certified public accountant firm	Deloitte and Touche Taipei, Taiwan
Name of the certified public accountant	Lu I-Chen and Lin Yi-Hui
Date of engagement	Nov. 11th, 2019
If prior to the engagement, the company consulted the newly engaged accountant 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, the company shall state and identify the subjects discussed during those consultations and the consultation results.	None
written views from the successor certified public accountant regarding the matters on which did not agree with the former certified public accountant	None

(III) The reply letter from the former certified public accountant of the disclosures it is making pursuant to item A and to item B (c) of the sixth paragraph of Article 10 of the Regulations:
Not applicable.

VII. Information on where the company's chairperson, general manager or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: N/A.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Any change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

Title (Note 1)	Name	2019		As of May 2nd, 2020	
		Shares increase (decrease)	Pledge of shares increase (decrease)	Shares increase(decrease)	Pledge of shares increase (decrease)
Chairman	Liu Chung-Hsin	0	0	0	0
Director and Production Center Chairman	Liu Hsin-Tsu	0	0	0	0
Corporate director and major shareholder	Lauer & Sons Corp.	0	0	0	0
Representative of corporate director	Representative of Lauer & Sons Corp.: Chen Ming-Shan	0	0	0	0
Director	Lin Hong-Chi	0	0	0	0
Director	Lee Cheng-Ping	0	0	0	0
Director and general manager	Liu I-Hsiao	0	0	0	0
Director and executive director of sales center	Liu Tsu-Kun	0	0	0	0
Independent Director	Liu Kong-Hsin	0	0	0	0
Independent Director	Lin Yu-Siang	0	0	0	0
Supervisor	Lai Wu-Lang	0	0	0	0
Supervisor	Hu Jing-Ming	0	0	0	0
Supervisor	Chen I-Tai	0	0	0	0
Chief Accountant	Lin Yi-Ting (Note 3)	0	0	0	0
Chief Accountant	Yi Ying-Jiao (Note 3)	0	0	0	0
Major shareholder	Lumar Industries Limited	0	0	0	0

Note 1: The shareholders holding greater than a 10 percent stake in the company shall be the major shareholders and must be listed.

Note 2: Where the counterparty in any transfer of equity interests and/or pledge of or change in equity interests is a related party, complete the following table.

Note 3: Lin Yi-Ting, Chief Accountant, resigned on Apr. 30th, 2019 due to her personal career planning; Yi Ying-Jiao, Deputy General Manager, was then appointed as the Chief Accountant.

Transfer of equity interest information

Name (Note 1)	Reason for transferring shares (Note 2)	Transaction date	Counterparty	The counterparty's relationship between that party and the company's directors, supervisors, managers and shareholders holding more than 10% of shares	Shares	Trading price
Not applicable						

Note 1: List names of the company's directors, supervisors, and ten-percent shareholders

Note 2: Fill in acquisition or disposal

Pledge of equity interests information

Name (Note 1)	Reasons for pledging shares changed (Note 2)	Transactio n date	Counterparty	The Counterparty's relationship between that party and the company's directors, supervisors, managers and shareholders holding more than 10% of shares	No. of Shares	Share holdin g ratio	Pledg ed ratio	Pledged loan (redemption) amount
Not applicable								

Note 1: List names of the company's directors, supervisors, and ten-percent shareholders

Note 2: Fill in pledged or redeem

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

Relationship information among the company's 10 largest shareholders

May 2nd, 2020

Name (Note 1)	Himself/herself Shares Owned		Shares Owned by spouse and children of minor age		Shares held through nominees		Names and relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another (Note 3)		Note
	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	No. of Shares	Shares Owned Percentage	Name (or Name)	Nature of Relationship	
Lauer & Sons Corp.	11,520,000	11.05%	0	0%	0	0%	Liu Hsin-Tsu	Director, Lauer & Sons Corp.	
							Liu Chung-Chi	Director, Lauer & Sons Corp.	
							Liu Tsu-Kun	Director, Lauer & Sons Corp.	
Lauer & Sons Corp. Representative of director: Liu Hsin-Tsu	9,362,400	8.98%	0	0%	0	0%	Lauer & Sons Corp.	Director	
Lumar Industries Limited	11,520,000	11.05%	0	0%	0	0%	Liu Chung-Hsin	Director, Lumar Industries Limited	
Lumar Industries Limited Representative of director: Liu Chung-Hsin	10,320,000	9.90%	8,248,000	7.91%	0	0%	Lumar Industries Limited	Director	
Liu Chung-Hsin	10,320,000	9.90%	8,248,000	7.91%	0	0%	Lumar Industries Limited	Director, Lumar Industries Limited	
							Liu Chung-Chi	siblings	
							Chou Tsun-Tsui	spouse	
							Liu I-Hsiao	Father and daughter	
							Liu Tsu-Wei	father and son	
Liu Chung-Chi	9,543,000	9.15%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.	
							Liu Chung-Hsin	siblings	
							Liu Hsin-Tsu	father and son	
							Liu Tsu-Kun	father and son	
Liu I-Hsiao	9,478,609	9.09%	0	0%	0	0%	Liu Chung-Hsin	Father and daughter	
							Chou Tsun-Tsui	mother and daughter	
							Liu Tsu-Wei	siblings	
Liu Hsin-Tsu	9,362,400	8.98%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.	
							Liu Chung-Chi	father and son	
							Liu Tsu-Kun	siblings	
Liu Tsu-Wei	9,361,040	8.98%	0	0%	0	0%	Liu Chung-Hsin	father and son	
							Chou Tsun-Tsui	mother and son	
							Liu I-Hsiao	siblings	
Chou Tsun-Tsui	8,248,000	7.91%	10,320,000	9.90%	0	0%	Liu Chung-Hsin	spouse	
							Liu I-Hsiao	mother and daughter	
							Liu Tsu-Wei	mother and son	
HSBC Bank as custodian of Yumai Holding Company account.	5,608,600	5.38%	0	0%	0	0%	None	None	
Standard Chartered International Commercial Bank as custodian of Liu Tsu-Kun Investment Account	5,308,560	5.09%	0	0%	0	0%	Lauer & Sons Corp.	Director, Lauer & Sons Corp.	
							Liu Chung-Chi	father and son	
							Liu Hsin-Tsu	siblings	

Note 1: The 10 largest shareholders should be listed. If any of those 10 largest shareholders is an institutional shareholder, the name of the corporate shareholder and the names of its representative shall be noted.

Note 2: Calculation of shareholding ratio refers to shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of shareholding ratio.

Note 3: Shareholders mentioned above, including institutions or natural persons, shall disclose relationships according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers and any companies controlled either directly or indirectly by the company

Dec. 31st, 2019; unit: share; %

Consolidated Shareholdings in Invested Companies (Note)	Investment Made by the Company		Investment in Companies Controlled by the Directors, Supervisors, Managers, and by the Company directly or indirectly		Consolidated Investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Yauchung Investment Corp.	37,000,000	100%	0	0	37,000,000	100%
Sinture Holding Ltd.	20,000,000	100%	0	0	20,000,000	100%
Keysheen Industry (Shanghai) Co., Ltd (Note 2)	(Note 1)	100%	0	0	(Note 1)	100%
Courtyard Creations International Limited (Note 3)	1,000,000	100%	0	0	1,000,000	100%
Courtyard Creations Inc. (Note 4)	1,000,000	100%	0	0	1,000,000	100%
Keysheen Vietnam Ltd. (Note 5)	(Note 6)	100%	0	0	(Note 6)	100%
Creative Courtyards International Limited (Note 5)	100,000	100%	0	0	100,000	100%
Creative Creations Inc. (Note 2)	(Note 1)	100%	0	0	(Note 1)	100%

Note: refers to long term investments accounted for using the equity method

Note 1: There is no share in the type of China limited company.

Note 2: 100% owned by the Yauchung Investment Corp.

Note 3: 100% owned by the Keysheen Industry (Shanghai) Co., Ltd

Note 4: 100% owned by the Courtyard Creations International Limited

Note 5: 100% owned by the Sinture Holding Ltd.

Note 6: There is no share in the type of Vietnam limited company.

Four. Information on capital raising activities

I. Capital and shares

(I) Source of Stock Capital

1. Capital raising activities

Year month	Issue Price	Authorized Capital Stock		Issued Capital Stock		Note		
		Shares (thousand share)	Amount (thousand dollar)	Shares (thousand share)	amount (thousand dollar)	Source of capital	Property other than cash is paid by the subscribers	Others
2010.09	NT\$ 10.	200,000	2,000,000	0.001	0.01	capital for registration of incorporation	None	None
2010.12	NT\$ 10.	200,000	2,000,000	0.1	1	Cash injection \$990	None	None
2011.01	NT\$ 10.	200,000	2,000,000	80,000	800,000	converted capital \$799.999 million	None	proceeded equity swap with shareholders of Yauchung
2011.12	NT\$ 10.	200,000	2,000,000	90,000	900,000	cash injection \$100 million	None	Approved by FSC JinKuanChengFaJi 1000054461 on November 9, 2011
2012.07	NT\$ 10.	200,000	2,000,000	108,000	1,080,000	Capital increase through capitalization of retained earnings \$180 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 10100154221 on July 11, 2012
2014.11	NT\$ 10.	200,000	2,000,000	106,285	1,062,850	Treasury share cancelled \$17.15 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 1030023820 on November 14, 2014
2015.11	NT\$ 10.	200,000	2,000,000	104,261	1,042,610	Treasury share cancelled \$20.24 million	None	Approved by Taiwan Stock Exchange TaiChengSunErJi 1040024298 on November 30, 2015

Note 1: fill in data of the current fiscal year up to the date of publication of the annual report

Note 2: The capital increase part should note the effective (approved) date and document number.

Note 3: The issue price of share certificates less than the par value shall be prominently identified as such.

Note 4: Equity capital to be contributed by shareholders in the form of monetary credit or technical know-how shall be identified as well as list the type and amount.

Note 5: Any privately placed subscription shall be prominently identified as such.

2. Type of Stock

Stock Type	Authorized Stock Capital			Note
	Number of Shares Outstanding (Note)	Unissued Shares	Total	
Registered Common Stock	104,261,000	95,739,000	200,000,000	Listed stock

Note: Please indicate whether the stock is listed on TSE or TPEx stocks (if it is restricted to market, it should be noted.)

The shelf registration related information

Security type	Securities to be issued		Securities already issued		Purpose of issuing and expected effects	Unissued part Scheduled release period	Note
	Total shares	Approved amount	No. of Shares	Price			
Not applicable							

(II) Shareholder structure

May 2nd, 2020

Shareholder structure	Government Entity	Financial Institution	Other Institution	Individual	Foreign Institution and Alien	Total
Quantity						
Number of Shareholders	0	0	4	737	15	756
Shares Owned	0	0	646,200	66,715,040	36,899,760	104,261,000
Shareholding percentage	0%	0%	0.62%	63.99%	35.39%	100.00%
Mainland Chinese shareholding percentage of the Company: 0%						

Note: Primary listing (TPEX) Company and TPEX Emerging Stock should disclose Mainland Chinese shareholding percentage. Mainland Chinese shareholding refers to the shares or capital in a foreign issuer are directly or indirectly held by mainland Chinese, legal entities, organizations or any other institute from mainland China, or any shareholder with influential power over such foreign issuer are mainland people, legal entities, organizations or any other institute from mainland China of Article 3 of Measures for investment licenses from mainland China to Taiwan.

(III) Shareholding Distribution

May 2nd, 2020; par value: NT\$ 10

Size of Shareholding	Number of Shareholders	Shares Owned	Shareholding percentage
1 - 999	204	29,414	0.03%
1,000 - 5,000	333	724,244	0.69%
5,001 - 10,000	67	538,600	0.52%
10,001 - 15,000	29	369,000	0.35%
15,001 - 20,000	19	343,133	0.33%
20,001 - 30,000	25	637,000	0.61%
30,001 - 50,000	19	780,000	0.75%
50,001 - 100,000	28	1,909,200	1.83%
100,001 - 200,000	12	1,794,800	1.72%
200,001 - 400,000	7	1,948,000	1.87%
400,001 - 600,000	1	569,000	0.55%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	0	0	0%
1,000,001 and above	12	94,618,609	90.75%
Total	756	104,261,000	100.00%

Preferred Shares

May 2nd, 2020

Size of Shareholding	Number of Shareholders	Shares Owned	Shareholding percentage
Grading according to actual situation	Not applicable		
total			

(IV) Major Shareholders list

Major Shareholders name	Stock	Total Number of Shares	shareholding percentage
Lauer & Sons Corp.		11,520,000	11.05%
Lumar Industries Limited		11,520,000	11.05%
Liu Chung-Hsin		10,320,000	9.90%
Liu Chung-Chi		9,543,000	9.15%
Liu I-Hsiao		9,478,609	9.09%
Liu Hsin-Tsu		9,362,400	8.98%
Liu Tse-Wei		9,361,040	8.98%
Chou Tsun-Tsui		8,248,000	7.91%
HSBC Bank as custodian of Yumai Holding Company account.		5,608,600	5.38%
Standard Chartered Bank Main Branch as custodian of Liu Tsu-Kun Investment Account		5,308,560	5.09%

(V) Stock Price, Book Value per Share, EPS, Dividends, and Related Information

Unit : NT\$

Item		Year		As of Mar. 31st, 2020 (Note 8)	
		2018	2019		
per share market price (Note 1)	Highest	44.60	50.50	51.50	
	Lowest	36.50	36.10	33.80	
	Average	40.31	42.42	47.33	
per share Book value (Note 2)	Before distribution	38.32	37.46	38.30	
	After distribution	38.32	37.09	-	
per share earnings (Note 3)	Weighted average number of shares (thousand shares)		104,261	104,261	104,261
	earnings per share	before adjustment	(0.48)	0.46	1.52
		after adjustment	(0.48)	0.46	-
per share dividend	cash dividend		0	0.37	-
	Stock divide nd	Earnings dividend	-	-	-
		Capital reserves dividends	-	-	-
	Dividend in arrears (Note 4)		-	-	-
ROI analysis	Price-to-Earnings Ratio (Note 5)		(85.21)	86.13	-
	price to dividends ratio (Note 6)		-	107.08	-
	Cash dividends yield (Note 7)		-	0.93%	-

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market prices of common stocks for each year, and calculate the average market price for each year based on the annual transaction value and volume.

Note 2: Please fill in the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders meeting of the next year.

Note 3: If there is a retrospective adjustment due to the dividends distributions contemplated, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: Equity securities issuance conditions, if there are provisions for the undistributed dividends in the current year to be accumulated in the year of the surplus, should disclose the accumulated unpaid dividends for the year.

Note 5: Price-to-Earnings Ratio = average closing prices per share of current year / earnings per share

Note 6: price to dividends ratio = average closing prices per share of current year / cash dividend per share

Note 7: Cash dividend yield = cash dividends per share / average closing prices per share of current year

Note 8: Fill in data of book value per share and EPS of the current fiscal year up to the date of publication of the annual report with the information of the external auditor audited (reviewed) in the most recent quarter. Other fields fill up to the date of publication of the annual report.

Note 9: The meeting of Board of Directors on Mar. 24th, 2020 passed the resolution on distribution of cash dividend of NT\$ 0.37 for the 2019 earnings distribution plan.

(VI) Dividends Policy and Implementation

1. Dividends policy defined in the company's Articles of Association:

(1) If there is any profit at the end of the fiscal year (the so-called profit refers to the net profit before tax minus the distribution of employee compensation and the net profit before the director's compensation), the ratio should be as follows:

(a) The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation may be delivered in stock or cash, the employees of the subsidiaries company that meet certain criteria, can be allocated.

(b) If it is not more than 3.5%, the remuneration of directors and supervisors will be delivered entirely in cash.

But if the Company has incurred cumulative losses (including adjusted retained earnings), the profit should be used instead to offset the losses.

Items (a) and (b) shall be decided by the Board of Directors and reported to the shareholders' meeting.

(2) If the Company has a net profit after tax at the end of the fiscal year, the Company shall first cover the accumulated losses, and then allocate a certain percentage as the special surplus reserve in accordance with the provisions of the public offering company act or the listing rules applicable to the competent authority. If there is still surplus, the surplus may be allocated in share through the special resolution at the General Shareholder's Meeting; if the surplus is allocated in cash, the allocation may be conducted after the special resolution at the Board of Directors. It may be distributed by issuing new shares after special resolution of the regular shareholders meeting, or may be distributed by cash upon special resolution of the Board of Directors.

(3) In addition to the undistributed surplus retained by the Board of Directors, dividends and dividends may be paid to shareholders in proportion to their shareholdings.

(4) Except for the resolutions of the Board of Directors and the Shareholders' Meeting, any remaining profits may be based on the Cayman Islands Companies Law and public offering law. After considering the financial, business and operational factors, the shareholders' income is not less than 20% of the current year's after-tax surplus as dividends or bonus.

(5) Shareholders' dividends and bonus are divided into two ways: stock dividends, which account for 0% to 50% of total dividends, and cash dividends, which account for 100% to 50% of total dividends.

2. Proposed Dividends for Approval at the Forthcoming Shareholders' Meeting

It was resolved at the Board meeting on Mar. 24th, 2020 that NT\$0.37 per share would be distributed as 2019 cash dividends. The total cash dividends was NT\$38,576,570. It will be reported on the General Shareholders' Meeting on Jun. 30th, 2020.

3. A material change in dividends policy is expected: N/A.

(VII) Effect upon business performance and earnings per share of any stock dividends distribution scheme proposed or adopted at the most recent shareholders' meeting: Not applicable.

(VIII) Compensation of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

(1) The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation may be delivered in stock or cash, the employees of the subsidiary companies that meet certain criteria, can be allocated.

(2) It is not more than 3.5% as remuneration of directors and supervisors will be delivered entirely in cash.

2. Accounting treatment in case there is any discrepancy between the estimated amount of employees, directors and supervisors' compensation and the actual amount of employee compensation calculated based on the number of shares allocated and the actual amount of allocation: in 2019, the estimated amount of employee's remuneration was NT\$2,214,490 yuan, and estimated remuneration of directors and supervisors was NT\$830,434, both are respectively estimated at 4% and 1.50% of the net profit before tax after deducting the distribution of employees' remuneration and directors' remuneration. Such amount was distributed in cash by the resolution of the Board of Directors on Mar. 24th, 2020 and reported at the shareholders' regular meeting on Jun. 30th, 2020.

If there is a change in the Board approved distributed amounts with significant change before the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates the next year.

3. Information on any approval by the Board of Directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause and the status of treatment shall be disclosed: On Mar. 24th, 2020, the Board of Directors decided to allocate the salary of employees of NT\$2,214,490 and the salary of directors and supervisors of NT\$830,434 in 2019. There is no difference between this amount and the remuneration of employees and directors and supervisors recognized in the consolidated financial report of 2019, so there is no need to adjust the profit and loss.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated only in the parent company's financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year 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:

The Company has no surplus in 2018, so the remuneration of directors, supervisors and employees and the actual allocation amount are all NT\$0, and there is no difference.

(IX) Share repurchases: None

II. Any issuance of corporate bonds: None.

III. Any issuance of preferred shares: None.

IV. Any issuance of global depository receipts: None.

V. Any issuance of employee stock warrants: None.

VI. Any issuance of new restricted employee shares: None

VII. Any issuance of merger and acquisition activities: None.

VIII. The status of implementation of capital allocation plans: None

Five. Overview of operations

I. Description of the business

(I) Scope of business

1. The major lines of business:

- (1) The production and sale of outdoor leisure furniture.
- (2) The production and sale of outdoor leisure furniture, such as umbrellas bases, umbrellas, ice buckets, cotton pads, pillows, tents, stoves, etc.

2. The relative weight of each product

product name \ fiscal year	2019	
	the net revenue (thousands of NTD)	the net revenue percentage (%)
leisure furniture	4,564,928	98.45
leisure furniture parts	57,199	1.23
Others	14,874	0.32
Total	4,637,001	100.00

3. Item of each current product

- (1) Metal and rattan outdoor leisure furniture

4. New products planned for development:

- (1) Creating the fifth living space

Under the pressure of fast-paced urban life and work, the "slow-paced" lifestyle, which embodies people's closeness to nature and enjoyment of leisure, has gradually become a fashion. Therefore, the boundary of outdoor furniture gradually blurs, and the outdoor furniture begins to enter the indoor. Artistic, personalized and functional furniture products have become an important component of home furnishings, which is also an important appliance for open or semi-open space, thus the fifth living space has formed. Comfort, randomness, security, lightness, aesthetics and entertainment have become the cores of the design for "slow life experience". Through product experience and scene experience, the product conveys the emotional care of loving life and nature, which creates a sense of intimacy between the outdoor furnitures and users.

As consumers value more on the experience of high-quality life experience, the development of outdoor furniture tends to fully meet people's needs of leisure and relaxation, where the privacy and openness can both be achieved. With the supplement of soft cushions and pillows, the friendly and casual outdoor home life style has been emphasized.

In addition, the categories of outdoor furniture tend to be more diverse in combination, appearing in people's living space in a mixed way. The categories for outdoor furniture are more diverse with manufacturing process being specialized. Flower stand partition, flower pot, and outdoor simple kitchen rack are also included into the categories of outdoor furniture. Meanwhile, a variety of materials have been promoted and implemented in the product manufacturing, becoming one of the fast-growing outdoor furniture products. In pursuit of returning to nature after high industrialization, artificial stone and wood as well as hand-made painting products launched by the Company feature personalization and nature,

becoming the mainstream commodities under the pursuit of personalized products in recent years.

(2) Rattan outdoor leisure furniture

Rattan products have gradually been leading the outdoor leisure furniture market, demonstrating the concept of outdoor furniture products extending to indoor living space. Rattan furniture is favored by consumers for its affinity and texture in shape or color. Its materials and appearance design are more natural, soft and full of rustic charm compared with that of traditional metal materials.

The overall production process chain has been built in the Company's plant in Vietnam. Scale production and high-quality control have been fully achieved from the development of rattan material, product design, and systematic management to produce professional rattan products. The hand-made rattan products can stand out from other competitors of rattan outdoor furniture, and make the Company a strategic partner of European and American customers. Vietnam factory's low-volume and diverse production process, as well as high quality self inspection, have also achieved significant results and won more business opportunities.

(II) Overview of the industry

1. Industry status and development:

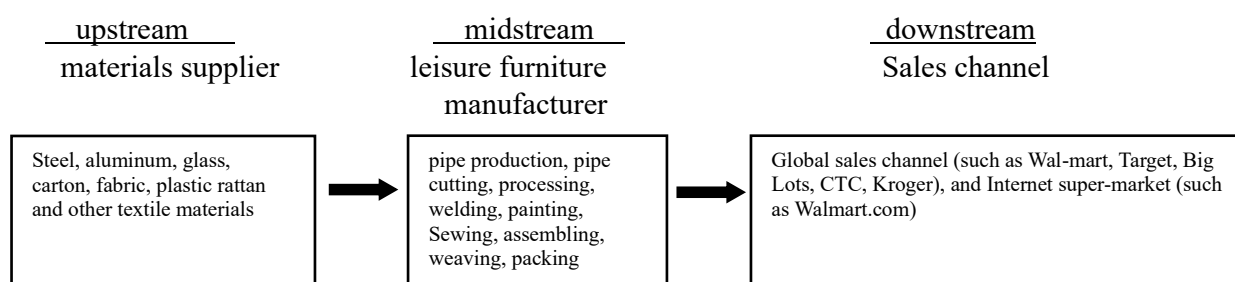
With the rapid progress of technology network life, it tends to advocate the concept of slow life for leisure life, which is natural, healthy, and personalized, making the demand for outdoor furniture increasingly with diverse. At the same time, the concept of "fifth space" has gradually matured, and outdoor furniture has gradually explored potential consumers in the European, American and Asian markets. Currently outdoor leisure furniture has been tripping the general folding chair, from the beach chair to the current multiple suits, as well as the more abundant supporting rocking chair, reclining chair, swing and sofa combinations, etc. are more favored and recognized by consumers. With the development of diverse styles, different markets and product positioning promote the growth of the outdoor furniture market. In addition, outdoor furniture is characterized by simplicity and fashion, and natural taste is the main trend. The color pattern follows the trend of fashion; the soft cushion pillow is an independent element to highlight the value of furniture. Multi-style single-item accessories mix and match to reflect the casual and personalized outdoor lifestyle. With the growing youth consumer groups, online sales have become an unbeatable consumption pattern. At the time when physical store customers have switched to online sales, the company adheres to the professional spirit of consistent service customers, from product planning and logistics, to the coordination of the overall sales model, the results have been recognized by customers. The new market frame has started to form and how to deepen development has become one of the main topics of the company's future operations.

Outdoor leisure furniture must have the function of adapting to harsh outdoor conditions. There are basically three main categories in the selection of materials: metal (steel or aluminum) with better durability and ductility, and plastic rattan products with natural shape and imitation wood plastic wood products. Influenced by health, sunshine and natural leisure lifestyle, the market share of imitation materials has increased with an unstoppable trend. Mixing three elements of metal, plastic wood and plastic rattan into an important format to show the individuality of products and guide new market trends. With the diversity of desktop

materials, the use of various desktop materials to combine and mix and match is the focus of development. It is worth noting that "braided rope" and "ribbon" have become more and more popular for outdoor furniture. Outdoor furniture is now using lightweight materials and mix-and-match style.

The development of the industry has been quite mature and stable and has been developing steadily. The global turnover in 2019 is about 40 billion US dollars, of which the United States and Canada are the major sales markets for outdoor leisure furniture. The Company has working on the world's largest US and Canadian market with a history of nearly 20 years, and has established deep and long-term relationships with major channel stores.

2. Relevance of upstream, midstream and downstream of the industry:



3. Various development trends of products:

- ① The outdoor leisure furniture is unique in design, versatile in function, simple in assembly and improved in comfort.
- ② The product style has been extended from the traditional dining room furniture to the outdoor stove and sofa combination.

4. Competition:

The Company is a manufacturer engaged in the design, manufacture and sale of outdoor leisure furniture. The main sales target is the world's major channel. The market is relatively mature and each major furniture store has its own characteristics and market segments.

The main features of the company are the sales team knowing market very well, especially in grasp the market trends sharply, understand the customer segmentation and consumer grouping, as well as the professional R & D design team to design products that meet market and customer needs. The company has a place in the industry in terms of R&D design, sample production, company scale, production technology, and order capabilities. The variety of products to fulfill customers one-stop shopping needs is the Company's advantage.

The company provides differentiated services for loyal and quality customers, such as customized products, online sales service support, balanced production, logistics and distribution, helping customers save logistics costs. The overseas distribution service, that is, sales and distribution according to the customer's sales requirements, directly shipping to the store, thereby saving the cost of logistics and distribution for the customer, to enhance customer dependence and loyalty. The company's overseas distribution supporting services are unique. Due to the company's product categories are numerous, and the production and sales integration production model can be realized, thereby enhancing the competitiveness and irreplaceability of the company.

(III) Overview of the company's technologies and its research and development

1. Research and development of new product and process improvement

- (1) The Company has long been at the forefront of outdoor furniture. The Company

pays close attention to the changes in the market, takes product R&D and innovation as the sustainable development strategy of the Company, and introduces excellent product development professionals to build the most competitive R&D team in the outdoor furniture industry. While completing the independent R&D and design, the Company arranges the R&D team to participate in professional training, visit the world-famous furniture exhibitions, actively carry out market research to grasp the latest fashion trends at all time. Research and development of new materials, optimization of laboratory configuration, and improvement of the automated production are the focuses of the Company's research and development. At present, the Company's main research and development directions are as follows:

a. Develop high-end products to enhance product value:

The Company has long paid attention to the popular elements of the market. R&D personnel participate in market research every year, and visit customers and sales stores to make accurate statistics and analysis. Through various mid and high-end fairs, professional material exhibitions, and Internet, materials of high-end products have been collected to align product design and product value. High-end products with multiple series, market competitiveness, and company characteristics have been launched.

b. Develop new structure to increase the practical performance of the product:

How to achieve product versatility through structural design has always been the focus of the Company's design and development. Especially in recent years, the Company has developed a number of well-known products with practical functions like storage and the exchange between sitting and lying. On this basis, the Company will carry out more advanced design and R&D on the structural components of the product, improve the convenience on the operation of the product in the function conversion, so as to enhance the product value.

c. Develop new materials to ensure sustainable development of materials:

The Company attaches great importance to the research, development and application of new materials. Every year, we launch the materials that would surprise customers and gain a good reputation in the market. In terms of new material development, the Company carries out technique upgrade that reach brand new effects. By discovering base material in cross industries and technique advancement, the Company transform material in other industry into the ones with high competitiveness and the feature of weather resistance Environmental protection and sustainable development have long been the Company's standards for developing new materials as well. For packaging materials, the Company has always advocated green packaging. In addition to the environmental performance of the packaging materials, the Company strictly controls the standards of harmful substances in response to foreign environmental protection requirements in time. The Company facilitates consumers in handling these packaging materials, and also help the functional departments of the local government to recycle and use these materials.

d. Develop new equipment to improve automation level:

In terms of equipment improvement, in addition to the processing of raw materials, the introduction of newly developed automation equipment in the market to reduce the labor input in each process has always been an important part for the Company's development and industry leadership. The introduction of a series of automatic

equipment, such as the application of welding industrial robot, transformation of automatic conveying line, and application of automatic spraying line, has fully demonstrated the Company's leading vision and advantages in production strategic development. In the future, the Company will continue to develop automation in various production processes and improve its quality, which can also ensure the quality of products and win the full trust of customers.

e. Modular furnitures add diversity to products:

In recent years, the Company has launched a series of modular products, which has obtained good feedback from customers and the market. The Company designs single products that can connect with other products, which is not limited to a single type of product combination. Under the concept of mutual integration of various types of products, these products can achieve a harmonious combination, which is convenient for the operation of consumers and any combination. The product conforms to the concepts of ergonomic design and "simplicity", so that consumers can feel the leisure experience brought by our product comfortably.

f. Laboratory optimization to ensure the authenticity and reliability of test results:

Excellent laboratory resources are essential to ensure product quality. The support of experimental data and testing experience over the years have gradually formed the relatively comprehensive laboratory capacity and effectiveness that the Company currently has. The preliminary development of the product needs repeated experiments to verify the performance of the material and the strength of the structure. The quality assurance of raw materials requires hundreds of test items every day. The Company has carried out 100% of incoming materials tests and products are put into storage only after the test is passed. The inspection of finished products from production line, sampling inspection of customers and other large-scale finished products are carried out strictly in accordance with the test process. In order to ensure the ability of the laboratory, the Company invests new testing equipment in hardware. The testing engineer has the professional level, and the Company has established a good partnership with major testing institutions around the world. The Company participates in the revision process of outdoor furniture industry standards formulated by well-known testing and certification institutions around the world, so as to keep the testing standards updated in time, and the testing operation complies with the industry standards. Our laboratory level has long been recognized by our customers.

g. Develop new products for different customers:

The outdoor furniture market is becoming more and more diversified, and consumers' demand for product design is becoming more and more diversified. What's more, different customer also has different product style and characteristic. Therefore, the Company's R&D team can accurately grasp the customer's product concept, and try to innovate, design and develop suitable products for all kinds of customers, assuring the Company in winning orders.

h. Develop the construction of R&D data platform to improve resource sharing within the Group;

As the Company grows, the R&D database is becoming larger and larger. The Company continues to promote the application of software platform to save and maintain important resources of R&D data. The introduction of information technology, on one

hand, can promote the cross regional development of the Company without regional restrictions on data storage and sharing; On the other hand, it ensures the accuracy of R&D drawings and product data; Last but not least, it provides a big data platform for the group, which is conducive to the construction of intelligent production platform in the future, so that the Company has a forward-looking development.

(2) Process improvement of each process:

- A. Shanghai factory: Set up a process improvement team, which includes the elites of R&D, quality assurance, procurement, production units and other functional departments related to production, to continuously improve the process of pipe production, processing, welding, coating, sewing, foam filling, assembly and other processes.
- a. Improvement of pipe production process: In the slitting of steel coil, the factory combines the production order to accurately calculate the best ratio of coil width, so that the material is not wasted after slitting. In the process of pipe making, the factory strictly controls the installation accuracy of the mould. On the premise of ensuring the product strength, the factory reduces the thickness of the pipe fittings through technical improvement to reduce the material cost. In terms of pipe cutting, the factory focuses on automatic pipe cutting, with manual pipe cutting as a supplement, and directly traces back to the setting of pipe cutting drawings, connects with post process processing and welding to reduce pipe cutting with angle and realize automatic pipe cutting as much as possible. Steel tube packaging is also based on automatic packaging and bundling.
 - b. Improvement of processing technology: According to the working hours of each working procedure, the factory configures a reasonable syndicated operation scheme to reduce the manpower and time needed for the process so as to improve the production efficiency. The syndicated operation also helps to control the product quality and ensure that each process is fully conducted according to the requirements in the design drawings. In addition, the factory has carried out a series of improvements in processing accuracy and mold replacement to improve quality and efficiency.
 - c. Improvement of welding process: The factory formulates the standards of gas mixing ratio and current/voltage of welding equipment for materials of different thickness, so as to improve the welding yield and reduce the number of personnel in the welding repair. As for the improvement of welding tools, the factory designs the fast clamping device and limits the position accurately according to the order, so that the employees can operate easily and control the size as well as the progress.
 - d. Improvement of painting process: The factory reduces the variety of hanging fixtures, and establishes a standard hanging tool guideline for workpieces, so that employees can quickly get and use suitable hanging tools. In addition, for some smaller workpieces, or workpieces occupying large space, the factory adopts the mixed hanging method to break the old hanging mode where only one part of a hanging fixture can be hung, and improve the coating area per unit output; the factory arranges production according to the assembly scheduling requirements, and fully considers the number of daily coating lines to reduce the number of people on the premise of meeting the three-day inventory of assembly materials, so as to reduce labor cost and energy consumption. In terms of equipment, the factory continuously promotes energy adjustment from oil to electricity to reduce energy consumption per unit; in terms of spraying process, the factory mainly adopts automatic spray gun, with manual spraying as a supplement to reduce labor cost and improve product quality.

- e. Improvement of sewing and foam filling process: The factory develops the automatic sewing equipment. Firstly, the factory conducts the trial production of the automatic sewing machine for the finished fabric (such as teslin, etc.) which is hard in texture with a single straight sewing line, so as to improve the sewing efficiency. In terms of foam filling process, the factory uses machine to fill the loose foam. The self-developed foam filling machine has produced significant benefits in reducing the operation intensity of personnel and improving the efficiency.
- f. Improvement of assembly process: In terms of carton sealing, the factory continues to promote the process of applying glue by robot. The automatic box pressing machine adjusts the time according to the curing time required by the hot melt glue and in combination with the ambient temperature, so as to ensure the quality of the box sealing with the hot melt glue and improve the aesthetics of the product packaging. The factory makes a balanced layout of the assembly flow water line, with the time accurate to seconds. The factory allocates people to each work station, which helps to solve the problem of long time consuming and delay of feeding or assembly of some individual workstations, help to keep the balance of the assembly line, reduce the waste of staff time, and improve product quality.

B. Vietnam factory:

- a. Production management concept of complete production network: From the processing and welding in the earlier stage to the rattan weaving and packaging in the later stage, the factory adopts the principle of material issuance and production of complete production network to reduce unnecessary costs such as inventory overstock and handling caused by material non matching.
- b. Actively promote the production mode of piecework system: The order of production projects is specified by computer system according to the schedule, which can greatly reduce the work of management personnel, and can also carry out clear performance appraisal for direct personnel. The scheduling of the system is generated according to the order of the delivery date, which helps the factory to accurately control the delivery date of customers.
- c. Full inspection mode adopted in quality control: In order to reduce customer complaints and after-sales service costs, Vietnam factory has introduced the production mode of full inspection of semi-finished products and trial assembly of finished products, which has reflected the benefits in the past cost of after sales and service. Meanwhile, with the accumulation of production data, the Company will be able to adjust the process in a more effective way in response to the changes of raw materials and labor market in a more timely manner.
- d. Promoting Bar Code data management: From material feeding and processing to finished products handover, the factory uses Bar Code to issue the materials and finished products handover. After the current manufacturing process of each process is completed and the products pass the inspection, the factory uses a scanning gun to scan the barcode for the operation finished products handover, so as to ensure the accuracy of the stock data. At present, the technology has been implemented in many processes.
- e. Introduction of pipe cutting equipment: The factory introduces advanced laser pipe cutting machine with high cutting accuracy. This machine can complete part of the processing technology (such as hole processing, V-port processing, etc.)

simultaneously, so as to reduce the mold cost required for workpiece processing, simplify the processing process, and take the lead in the industry.

- f. Independently develop the auxiliary fixture for rattan weaving to facilitate the operation: Because many rattan products have the characteristics of large volume and inconvenience in flipping, it is difficult for operators to flip the products during rattan weaving, resulting in inconvenient operation. Vietnam factory develops its own rattan weaving operation platform, which has the function of active flipping, which helps to increase the work convenience of employees and improve production efficiency.
- g. Automatic packaging of parts package: The factory introduces the automatic parts packing machine to pack the parts, breaking the barrier of the original parts package with blister packaging, so as to reduce the manual input, realize the automatic operation, reduce the probability of errors in parts specification and quantity and greatly improve the output efficiency.
- h. Adopt the design of combined tooling: In order to control the tooling cost, the factory has independently developed the combined tooling with fixed platform base and standard tooling fixture to design the movable and detachable tooling combination with the important dimensions limited by different parts. It reduces the cost input of one set of tooling for one workpiece and the storage capacity of tooling. The scheme has been widely used in many processes.

2. The invested research and development expenses during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report:

In Thousands of New Taiwan Dollars

Year	2019	1st Quarter in 2020
Research and development expenses	78,244	16,672
Operating income	4,637,001	1,526,409
Proportion in operating income (%)	1.69	1.09

3. The research and development as well as technologies and/or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Fiscal year	R&D results	Description of R&D results
2019	Development of rattan pattern	The Company collected flower patterns in line with the popular trends in Europe and United States, achieved different appearance effects by using different specifications of rattans or irregular rattan weaving process, broken the traditional weaving methods such as flat weaving, ox eye and Mi characters, used rattans of multi specifications/colors to weave them in a mix way, and developed more than 10 new flower patterns. At present, these products have received good market feedback.

Development and application of the packaging scheme of new component suite	After two years of repeated tests, equipment improvements, and specification reorganization of the components included in the component suite, the Company reduced the types of tools, so that the automatic packaging scheme of the component suite can be successfully launched. At present, the packaging cost of the component suite is significantly reduced, and the component suite is convenient for consumers to assemble and use with the components not easy to be lost, and effectively reduce the rate on customer complaints on losing components.
Development of new type pipe fittings and profiles	In the pipe making process, after the steel strip is divided into strips, the pattern is rolled on the fixed position of the steel strip with the roller die. When the pipe is made and welded, the pattern is controlled on the given pipe surface by combining the fixed pipe width to form the product with obvious visual and tactile effects. This kind of products are favored by customers and consumers.
Development of tables with gas cookers for different markets	In addition to the North American market, the Company currently has applied to the gas certification institutions in Europe and Australia for the certification of table with gas stove and obtained the certificate, maintaining a certain market share in outdoor furniture heating products. The safety performance of the product is continuously upgraded, and the safety performance of the table with gas stove meets the latest standards or legal requirements of the above regions.
Development of knitting rope products	The knitting rope products are made of Olifen and other high-end knitting materials. The knitting rope is divided into hollow rope and cored rope by combining the rope making process. The Company has developed the knitting rope products which are round, belt and oval in different sizes and colors for customers to choose. This kind of product is the current popular trend, and deeply loved by customer and consumer love with orders continuing to grow.
Development of rattans of new specifications	The Company have developed more than 20 kinds of rattans with new shapes, sizes and colors. According to the value positioning of the products, the Company has developed products directionally for customers to choose. The craft of the self-made rattan of the factory continues to improve, resulting in products with excellent quality and good reputation in the industry.
Research and development of powder with extended warranty period	In order to improve the weatherability of the products, the Company cooperates with the leading international chemical coating enterprises to develop powders with better weatherability than conventional powder coatings by adjusting and controlling the size and conductivity of powder particles. At present, these powders are used in the production of high-end products with test data obviously better than that of conventional powder.

(IV) The company's long- and short-term business development plans.

1. The company's short-term business development plans:

(1) R&D and sales

- ① Continue to deepen the sales channels of various markets, and cooperate with customers to jointly develop new products to ensure that customers' products are unique and unitary, so as to separate the market.
- ② Continue to develop multi-combination furniture, integrate new materials into product design, and create new products to increase market share
- ③ Continue to deepen the regional customers in North America and increase the market share of the company products. And actively expand new customers, and go high-end market with the "Patiologic" brand.
- ④ To extend product range, in addition to further expanding in UK, the European region will strengthen efforts to develop other European marketing.
- ⑤ Segment customer types and develop strategic customer with gross profit.
- ⑥ Actively study the characteristics of online sales products and expand the proportion of online sales market.

(2) Production:

- ① Strengthen the quality sense for employees, and pay attention to the training of multi-capacity expertise to improve production efficiency, and cooperate with production line automation to improve equipment utilization rate. Increase the efficiency of the use of the factory, and implement product quality control, improve product quality and product completion rate.
- ② Fully implement annual balanced production, streamline the use of workers' efforts, continuously improve the production process, and continue to expand the scope of automation and labor saving, in order to have more effectively controlled the employment and production costs.
- ③ Continue to implement the capacity piece system, improve the self-management ability of employees, and create a flexible and friendly management mode.
- ④ Continuously promote the systematic management of the whole process, adopt bar code control and record all production data in detail, and fully reflect the concept of product history in production and shipment management, and build production big data system instead of experienced management.
- ⑤ Continue to train and prepare for a small quantity diverse production processes, as well as maintain a high quality self-test ratio.

(3) Operating management:

- ① Grasp the global economic fluctuation and market changes, and formulate response strategies in advance, timely update the Company's strategies based on budget, flexibly and effectively use working capital, effectively avoid exchange rate risks and ensure the company's profit.
- ② Continuously strengthen the on-the-job training of employees, and implement quality and performance assessment, and cultivate excellent teams and talents to grow with the company.
- ③ Improve the management information system, strengthen the internal control mechanism, and ensure the reliability and accuracy of financial statements.
- ④ Enhance the accuracy and commonality of management information by using various management reports generated by unified information sources.
- ⑤ Actively cultivate self-training talents with work goals and rotation plans for future operational talents to develop their strengths.

2. The company's long-term business development plans.

(1) R&D and sales:

- ① Research and develop high-end furniture market and resort hotel market products, and establish a new sales team to expand the Company's business scope.
- ② Continue to deepen the development of customer customization, constantly improve the scope of overseas logistics operations with customers, provide faster after-sales service mechanism, carry out cross industry cooperation plan, improve the "fifth living space" building plan, and timely develop the domestic demand market.
- ③ Actively and continuously develop green and environmentally-friendly raw materials and promote energy conservation and carbon reduction in order to reduce pollution for the company as long-term goals.
- ④ The Company actively seeks cooperation channels for internet marketing.

(2) Production:

Continue to deepen the production process, quality, process, with expanding the scope of automation and labor saving, in order to effectively control manpower and reduce production costs, to enhance product competitiveness. With small quantity diverse production processes capacity, as well as a high degree of quality self-inspection, and start the business development of high-end boutique customized market.

(3) Operating management:

- ① Strictly implement various structures and systems to make the company more institutionalized, efficient and profitable, and expand the company's market competitiveness
- ② Continue to develop various finished products of self-made processes in various stages, and develop new opportunities for different industries and customers.
- ③ Implement corporate governance, introduce outstanding local and abroad talents, and move toward the internationalization process.

II. Analysis of the market as well as the production and marketing situation

(I) Market analysis

1. The geographic areas where the main products of the company

In Thousands of New Taiwan Dollars

Geographic areas \ Year	2018		2019	
	Amount	Percentage	Amount	Percentage
North America	5,602,087	91.06%	4,279,496	92.29%
Europe	367,282	5.97%	262,155	5.65%
Oceania	154,740	2.52%	86,479	1.86%
Africa	7,556	0.12%	5,380	0.12%
Asia	20,352	0.33%	3,491	0.08%
Total	6,152,017	100.00%	4,637,001	100.00%

2. Market share

The global outdoor leisure furniture industry has a wide range in definition, including general household and professional commercial outdoor leisure furniture, outdoor barbecue stoves, umbrellas, swings, garden decorations, and related accessories. According to 2019 Casual Living Market Research, it is estimated that the sales of the US outdoor leisure furniture

industry retail market is around US\$8.22 billion. The Company's 2019 net operating income was US\$ 151 million, accounting for approximately 1.84% of the above sales amount.

3. The demand and supply conditions for the market in the future and the market's growth potential

(1) The demand and supply conditions

① Supply conditions

The manufacturers of outdoor leisure furniture in the world are mainly located in China. Since last year's Sino-U.S. trade war, the foreign retail industry has been actively looking for production bases outside China to avoid the exposure degree to China. The Company's production in Vietnam is becoming more and more specialized and large-scale with products provided in line with customers' purchasing strategies, and become the preferred partner for customers' strategic cooperation intention.

② Demand status

The global outdoor leisure furniture industry market is mainly dominated by European and American countries. According to the research and development unit, the annual global market size from 2004 to 2018 was about US\$ 38 billion, and the annual sales volume has grown steadily. The global market size in 2019 has reached US\$ 40 billion. The major market for the company is the US-Canada region, which is one of the most important markets in the world. As the global economy gradually stabilizes, the demand for outdoor leisure furniture market will continue to grow.

(2) Growth

With the continuous improvement of people's life quality and the pursuit of more refined life goals, the outdoor furniture industry is growing steadily year by year. According to the statistics of the research institute, the outdoor furniture industry will grow at a growth rate of about 3% - 5% every year in the future. In 2019, the scale of the global furniture market is about NT\$ 40 billion, and it is estimated that it will reach about US\$ 42 billion by 2020. Meanwhile, the network market is growing day by day, the channels for the public to buy outdoor leisure furniture are more convenient, and the development of outdoor furniture industry is irresistible.

4. Competitive niche:

(1) R & D team based on customer market demand

The Company has been focusing on the outdoor furniture industry for more than 40 years with products sold directly to customers in the final market channel and network customers. Therefore, the Company can analyze the needs and preferences of end consumers every year and adjust the product development direction accordingly. In recent years, the Company has launched about 800 models of products every year, and the repetition rate of the old products in the next year is only 10%. Most of the products must be re-developed and re-designed. The Company has a strong product development ability and always grasp market information, being in the leading position of new products in the outdoor furniture industry.

(2) Modern production and manufacturing capacity

The Company has a complete supply and marketing industry chain, deepening the vertical management of manufacturing and production processes. The company's production process architecture adopts vertical integration design, and the production line has completed the upstream and downstream consistent production process. About 9 million pieces of furniture have been produced in 2019. In addition, the company continues to

step towards automation, via automation of production equipment, continuously improve the efficiency of the plant and the stability and improvement of product quality. Moreover, the scale of the company's current plant has reached the scale of economy, which may offer production competitive advantages of the company and enable growth for the company. The Vietnam factory has built and operated with a new production concept. With different production methods for traditional rattan products, the new operating mode has been recognized by most visiting customers. Therefore, the company believes that the new operating model can provide better productivity and higher quality products.

(3) Introductory marketing capability for customer terminal

The company has been facing the final sales channel customers for a long time. From the customer's point of view, fully understand the customer's market positioning, consumer group characteristics, consumption habits, price positioning, then tailor-make product types for them. Through long-term interaction with customers, the company has established a deep understanding and trust with customers and truly master the preferences of consumers and product trends. The company has an after-sales service center in the main sales market, which can instantly get into and handle various product issues. As mentioned, the relationship between the Company and its customers is quite stable, so the Company has covered all aspects of R&D, production, marketing and after-sales service.

(4) "Ingenuity" spirit of outdoor furniture

The Company has been focusing on the production of outdoor furniture for more than 40 years, and has accumulated professional R & D, production and customer marketing experience. The Company has won a commendable corporate image and good reputation among its customers and suppliers. In the enterprise management, the Company has always paid attention to the advocacy of corporate culture, and has won a large number of long-term stable excellent employees to serve the Company. No matter from the aspects of support of raw materials suppliers, solid staff foundation and strong customer resources, all provide an important foundation and conditions for the Company to adhere to sustainable operation.

5. The positive and negative factors for future development, and the company's response to such factors:

(1) The positive factors

- ① The Company's market trend is good, and the consumer demand is growing steadily.
- ② The production capacity has reached economic scale and has strong competitiveness.
- ③ The relationship with customers has been long and stable.
- ④ The surrounding related industries are rich in resources and effectively reduce investment costs.
- ⑤ The economy in Southeast Asia is developing rapidly and providing a better production base.

(2) The negative factors and the company's response to such factors

- ① The employment environment in China is more stringent.

Counter measures:

Starting from "green production", the Company continuously improves production equipment, saves energy and reduces carbon, reduces energy consumption required by unit output, and improves profit per unit output. The R & D team also cooperates with the procurement team and suppliers to find more environmentally friendly production materials as alternatives.

The Company has established production system in Vietnam, and has done a good job in the production configuration of low energy consumption and high output from the production source. Meanwhile, the plant uses the production equipment of plastic particle recycling to solve the problem of waste recycling that other rattan factories cannot do.

- ② The main sales markets are Europe and the United States and raw materials are purchased in the local countries (China and Vietnam), resulting in exchange rate risk.

Counter measures:

When the company quotes the product, first considers the long-term exchange rate as the basis of the quotation, and the financial department undertakes the forward foreign exchange contract DF and NDF with bank to avoid the exchange rate fluctuation risk between the RMB and the USD to ensure the sales profit.

The company's finance department monitors the international financial market and future exchange rate trends closely, and maintains close ties with a number of large banks, which provide the company's professional financial market information at any time to instantly and effectively respond to the exchange rate trend. The Company may use financial instruments for hedging purposes as needed. At the same time, the Company has strict financial instrument operating management methods, which can effectively reduce the Company's operational risks arising from exchange rate fluctuations.

The Vietnamese factory is constantly increasing their own production rate and developing local suppliers to increase local procurement and reduce exchange rate risks.

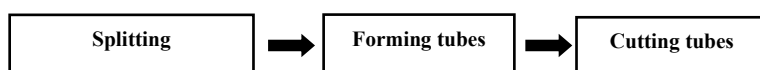
(II) Usage and manufacturing processes for the main products

1. Usage for the main products

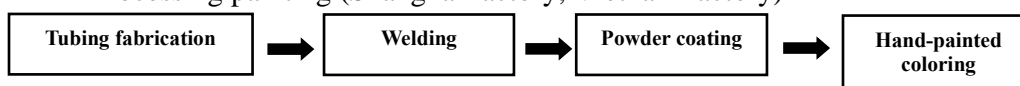
by product	Usage or applicable range
outdoor leisure furniture	Mainly used for home patios and terraces, outdoor urban public and commercial venues, or for outdoor recreation.

2. Manufacturing processes for the main products

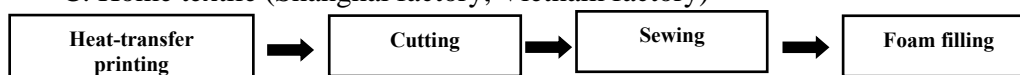
A. Steel pipe (Shanghai factory, Vietnam factory)



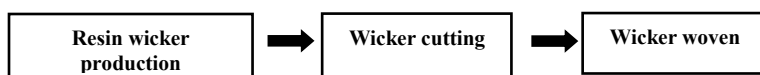
B Processing painting (Shanghai factory, Vietnam factory)



C. Home textile (Shanghai factory, Vietnam factory)



D. Weaving rattan (Vietnam factory)



E. Assembly (Shanghai factory, Vietnam factory)



(III) Supply situation for the major raw materials

Major raw materials	Major suppliers	Supply status
Steel	Shanghai Baojun; CSC Vietnam Co., Ltd.	Good
Paper	Shanghai Cheng Shun Asian Paper Co., Ltd. industry; Công ty cổ phần bao bì Tiến Thành	Good
Chemicals	NAN PAO-Noroo Paint&Coatings (Vietnam) Ltd. PPG Viet Nam	Good
Rattan	Zhejiang Hongbo	Good

(IV) List of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each.

1. Information of major suppliers in either of the 2 most recent fiscal years

In Thousands of New Taiwan Dollars

Item	2018				2019				1st Quarter in 2020			
	Name	Amount	Ration in annual net purchase (%)	Relationship with the with the issuer	Name	Amount	Ration in annual net purchase (%)	Relationship with the with the issuer	Name	Amount	Ratio in current net purchase end of previous quarter (%)	Relationship with the with the issuer
1	Manufacturer A	320,216	7.22	None	Manufacturer A	319,521	11.47	None	Manufacturer A	85,028	25.59	None
	Others	4,111,859	92.78		Others	2,467,058	88.53		Others	247,291	74.41	
	Net purchase	4,432,075	100.00		Net purchase	2,786,579	100.00		Net purchase	332,319	100.00	

Note 1: Name of the supplier with more than 10% of the total purchase amount in the last two years and the amount and proportion of the purchase. Due to the contractual agreement, the name of the supplier or the object of the transaction may not be disclosed as an individual and a non-relevant person.

Note 2: If, before the date of publication of the annual report of listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the change: The decrease in the purchase amount of manufacturer A is mainly due to the change in the category of products purchased in 2019 and the decrease in the sales order volume, resulting in the decrease in the amount of finished products purchased by manufacturer A in 2019 compared with that in 2018.

2. Information of major clients in either of the 2 most recent fiscal years

In Thousands of New Taiwan Dollars

Item	2018				2019				1st Quarter in 2020			
	Name	Amount	Ratio in annual net sales (%)	Relationship with the with the issuer	Name	Amount	Ratio in annual net sales (%)	Relationship with the with the issuer	Name	Amount	Ratio in current net sales end of previous quarter (%)	Relationship with the with the issuer p
1	Customer A	1,934,970	31.45	None	Customer A	1,400,307	30.20	None	Customer A	215,029	14.09	None
2	Customer B	494,933	8.05	None	Customer B	527,162	11.37	None	Customer B	200,386	13.13	None
	Others	3,722,114	60.50		Others	2,709,532	58.43		Others	1,110,994	72.78	
	Net sales	6,152,017	100.00		Net sales	4,637,001	100.00		Net sales	1,526,409	100.00	

Note 1: Name of the customer with more than 10% of the total sales amount in the last two years and the amount and proportion of the sales. Due to the contractual agreement, the name of the sales or the object of the transaction may not be disclosed as an individual and a non-relevant person.

Note 2: If, before the date of publication of the annual report of listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the change: The decrease of sales amount of customers A is mainly due to the decrease of overall sales volume in 2019 due to the abundant inventory of customers.

(V) Indication of the production quantity for the 2 most recent fiscal years

Unit: PCS; In Thousands of New Taiwan Dollars

Production Major product or by department	Year	2018			2019		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Leisure furniture		7,045,285	4,033,084	4,636,846	3,534,048	2,263,813	3,425,376
Leisure furniture parts		502,079	147,124	140,814	222,041	71,375	22,978
Others		166,667	1,764	3,099	75,436	4,350	4,147
Total		7,714,031	4,181,972	4,780,759	3,831,525	2,339,538	3,452,501

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the needed shutdown, holidays, etc., using existing production equipment.

Note 2: While the production of each product is substitutable, production capacity may be calculated combined with note.

(VI) Indication of the volume of units sold for the 2 most recent fiscal years

Unit: PCS; In Thousands of New Taiwan Dollars

Quantity Value Major product or by department	Sales year	2018				2019			
		Import		export		Import		export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Leisure furniture		0	0	5,354,056	6,037,976	0	0	3,418,540	4,564,928
Leisure furniture parts		0	0	206,905	104,502	0	0	118,356	57,199
Others		0	0	(Note 1)	9,539	0	0	(Note 1)	14,874
Total		0	0	(Note 2)	6,152,017	0	0	(Note 2)	4,637,001

Note 1: No sales are listed due to different units.

Note 2: No summed up due to different units.

III. The information of employees employed for the 2 most recent fiscal years

Mar. 31st, 2020

Fiscal years		2018	2019	As of Mar. 31st, 2020(Note)
Employees number	Manager	18	38	37
	Direct staff	2,748	2,457	2,411
	Indirect staff	824	673	675
	Total	3,590	3,168	3,123
Average age		35.21	34.89	34.82
Average Service year		3.27	3.81	3.93
Academic distribution ratio	Ph.D.	0	0	0
	Master	7	7	7
	College	419	337	337
	High school	468	547	539
	Below high school	2,696	2,277	2,240

Note: The annual data for the year ending on the date of publication of the annual report should be filled out.

IV. Disbursements for environmental protection

- (I) The losses (including compensation and environmental protection audit results of violations of environmental laws and regulations) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible): N/A.
- (II) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: Not applicable.
- (III) Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:
1. Keysheen Industry (Shanghai) Co., Ltd

Mar. 31st, 2020, In Thousands of New Taiwan Dollars

Facility name	Quantity	Acquired date	Investment cost	Unreduced balance	Usage and expected effects
Sewage treatment station	2	2002/12	670.80	142.81	Sewer and sewage treatment equipment
Sewage treatment station		2003/03	2,295.70	0	Sewer and sewage treatment equipment
Painting sewer and sewage treatment	2	2003/12	4,924.27	0	Sewer and sewage treatment equipment
Painting sewer and sewage treatment engineering		2004/01	868.99	0	Sewer and sewage treatment equipment
Dust collector	2	2003/12	673.64	0	Air pollution control equipment
Welding exhaust water curtain dust removal	1	2007/03	33.62	3.20	Air pollution control equipment
Grinding dust removal system	1	2010/10	1,727.27	0	Air pollution control equipment
Welding exhaust system	2	2010/10	2,993.93	0	Air pollution control equipment
Welding exhaust system		2010/12	3,612.52	0	Air pollution control equipment
Smoke dust process engineering	1	2017/04	1,089.33	437.91	Air pollution control equipment
Electrostatic photolysis lampblack purifier	1	2018/01	282.08	162.11	Air pollution control equipment

Facility name	Quantity	Acquired date	Investment cost	Unreduced balance	Usage and expected effects
Water treatment equipment	1	2017/11	40	7	Discharge after purification to reduce pollution
New chemical storage area/ Recycling area	1	2018/11	923	858	Enhance securities in chemical storage area/ Recycling area

V. Labor relations

(I) The employee benefits plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. The employee benefit plans: There are labor unions in Keysheen Industry (Shanghai) Co., Ltd and Keysheen Vietnam Ltd. Members elected through employee elections. Representing the labor union committee in all matters, handling various employee welfare matters and labor relations. In addition, the company pays relevant staff insurance and other expenses according to the local laws and regulations of the locality of the company.

List of employee benefit plans:

Content	Description
Insurance and retirement	According to the local government regulations, pay related insurance and labor insurance, health insurance, group insurance, pension reserve, etc. for medical care, unemployment, life insurance, childbirth and work injury.
Profit sharing	Salaries and wages, employee incentive, etc.
Health insurance	Conduct a health check before a job, and conduct a special medical examination for a specific occupation. The Vietnamese subsidiary has a medical room and employs qualified medical staff.
Activity	The company held large-scale evening parties, domestic and international tour, annual meetings, etc., and occasional gatherings and skill competitions.
Emergency relief aid	Grants based on special circumstances of employees.
Other benefits	Performance bonuses, special awards, festive gifts, birthday celebrations, seasonal drinks, etc. are issued according to the operation status.
Facility	Staff restaurant, employee welfare agency, staff quarters, parking spaces, etc.

2. Employee behavior and ethics code: The Company's "Employee Handbook" specifies the code of conduct for the employee code of conduct.

In order to make the employees' behavior be ethical, the company approved the Ethical code of conduct on March 16, 2012, requiring all employees to comply with the company's quality culture. And the related contents have disclosed under the "Corporate Governance" of the company's website investor area for shareholders' enquiries.

3. The status of continuing education and training:

(1) In addition to regular internal education training courses, the Group regularly participates

in educational training courses of external professional training institutions to enhance staff skills and management knowledge, thereby creating the overall interests of the company and its employees.

(2) The results of the company's recent annual education training are as follows:

Course	Total number of people	Total number of hour	Total expense (thousand NTD)
New employee training program	1,768	7,048	769
On-the-job professional training,	397	4,556	225
Labor safety	865	865	118
Occupational safety	2,018	2,018	22
Fire drill	2,450	2,000	16
First aid training	2,018	2,018	71
Evacuation education training	1,760	14,080	0
Quality education training	1,000	24,000	0
Weaving education training	9,831	54,835	1,193
Total	22,107	111,420	2,414

(3) With the rapid changes in the environment, the concept of the Global Village has penetrated into the Asia-Pacific region, in order to bring the core management and R&D team of the Group to link with the world in concepts. In addition to strengthening international leadership and leadership training in the future years, foreign participation activities will be arranged. Through the combination of theory and practice, the core staff of the Group will have an international business theory to ensure the company's international competitiveness.

(4) Information of financial related personnel obtain the relevant license specified by the competent authority: none.

(5) Continuing education of managers in 2019 is as follows:

Title	Name	Assuming Date	Continuing education date		Organizer	Class title	Continuing education hour
			From	To			
General manager	Liu I-Hsiao	Jun. 1st, 2015	Apr. 16th, 2019	Apr. 16th, 2019	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3 hours
			Nov. 12th, 2019	Nov. 12th, 2019	Securities and Futures Institute	Key technologies and application opportunities of 5G	3 hours
Production Center Chairman	Liu Hsin-Tsu	May 16th, 2011	Dec. 18th, 2019	Dec. 18th, 2019	Securities and Futures Institute	How do directors and supervisors of TWSE & TPEX listed companies perform their duties	3 hours
			Dec. 18th, 2019	Dec. 18th, 2019	Securities and Futures Institute	Tips for directors and supervisors to interpret financial information	3 hours
Executive director of sales center	Liu Tsu-Kun	Jan. 1st, 2016	Nov. 12th, 2019	Nov. 12th, 2019	Securities and Futures Institute	Key technologies and application opportunities of 5G	3 hours
			Nov. 12th, 2019	Nov. 12th, 2019	Securities and Futures Institute	How can the directors and supervisors supervise the company to do a good job in fraud detection and the implement whistle-blowing mechanism to strengthen corporate governance	3 hours
Chief Accountant	Yi Ying-Jiao	Jul. 31st, 2019	Dec. 30th, 2019	Dec. 31st, 2019	Accounting Research and Development Foundation	Continuous training course for the accounting supervisor of the issuer's securities firm and stock exchange	12 hours

4. The retirement systems and the status of implementation: The pension system of the “Labor Pension Act” applied by the Company and Samoa Creative Courtyards International Limited Taiwan Branch is a defined retirement plan managed by the Government of the Republic of China. A pension of 6% of the employee's monthly salary is paid to the individual account of the Bureau of Labor Insurance. The pension fee recognized by the Company in the Republic of China in 2019 is NT\$ 1,007 thousand.

The post-retirement pension insurance for employees in China of subsidiary-Keysheen Industry (Shanghai) Co., Ltd., pays the post-retirement insurance for employees according to the local laws and regulations of the company.

The post-retirement pension insurance for employees in Vietnam of subsidiary- Keysheen Vietnam Ltd. pays the unemployment insurance for employees according to the local laws and regulations of the company.

5. The status of labor-management agreements and measures for preserving employees' rights and interests:

Labor relations have been one of the direction of the company's efforts, and the relationship between employers and employees has been maintained in harmony. There are neither labor disputes nor losses incurred since established so far. The other employee rights maintenance measures are in compliance with the relevant laws and regulations.

6. Work environment and employee personal safety protection measures and implementation status:

(1) It is important in view of the working environment and the personal safety protection measures of employees. Conducting major environmental considerations/occupational safety and health risk control with ISO 14001 management system. Use target and project management to prioritize improvements. The lower risk is controlled by the operation control method. After improvement via good operation, both have achieved significant results and control. The

company's major goals and management plans are summarized as follows:

Number	Target/ object	Proposal	Current status	Execution status
1	Prevent the occurrence of occupational diseases, protect the legitimate rights and interests of occupational diseases, and increase labor productivity.	Occupational health management rules.	No classified management of special systems and comprehensive management.	Occupational health hazard inspection in the workplace and rectification of the site. Security group unified data archive for query and supervision. Timely correct the protection equipment to reduce the occurrence of occupational diseases.
2	Deep optimization of hidden dangers in industrial safety production.	Industrial safety standardization operating plan.	Non-standard operations such as fire-fighting equipment in shop, electrical equipment, mechanical equipment, and chemical use in the workshop create safety hazards for safe production.	Formulate safety production standardization operating plan, inspect, rectify, rectify the occurrence of safety hazards, and implement the safety production responsibility system.
3	Optimize the management of smoking areas and reduce disasters.	Factory smoking control management program.	The smoking area is in a disorderly environment and the control of smoking areas is not standardized, which poses a safety hazard to safe production.	Reasonable layout of smoking areas, management, maintenance and implementation of responsibility system to reduce accidents.
4	Optimize hazardous waste treatment and effectively treat all types of waste.	Clean production management program	The original hazardous wastes are stored in separate storage and the emergency treatment facilities are in simple set up. There are security risks to the environment and emergency treatment.	Strictly control the sources of general waste and hazardous waste, strengthen the storage space and emergency treatment space of hazardous waste, and improve the capacity of handling and emergency accidents. According to the requirements of laws and regulations, the storage sites of hazardous waste should be increased or decreased with corresponding waste storage pools to reasonably increase the emergency diversion channels, and improve the emergency treatment capacity.
5	Improve waste sorting and improve waste disposal efficiency	Industrial waste and domestic garbage classified and handled separately.	The original industrial waste and domestic garbage are piled up in a centralized manner and the commissioner is classified and scattered.	In combination with the regulations of Shanghai municipal solid waste classification management, carry out the generation source control and classification of garbage in the plant workshop, and classified storage of industrial garbage and domestic garbage, and add the garbage packer to comprehensively treat garbage to improve the garbage treatment capacity, the domestic garbage should be stored with dry and wet waste separately and treated in a unified way to reduce environmental pollution and treatment costs.
6	Electric energy heat pumps replace diesel boilers to reduce emissions of CO2 and nitrogen oxides.	The air source heat pump process replaces the diesel boiler to heat the constant temperature of the treatment tank before painting.	The pre-hot-washing, pre-washing before pre-painting and main de-washing tanks are heated by a diesel boiler process, and the diesel fuel produces nitrogen oxides, which causes air pollution to the company's environment.	The thermal energy air source heat pump process is used to replace the existing diesel boiler, and the pre-painting treatment tank is heated and reduce atmospheric pollution.
7	Dust control meets environmental requirements.	The welding dust has used water curtain to remove the dust.	The original straight dust removal plan has an impact on the environment or employee health.	The welding and grinding dust is discharged after dust removal by water curtain, and the dust treatment amount is about 1,500 m3/min.

(2) Follow-up on environmental and occupational safety and health promotion activities

1. Continue to promote cleaning production technology

The Company actively makes full and effective use of resources to reduce waste and production cost. In addition to improving process and operation management to increase waste recycling and reduce waste generation, on the other hand, the Company develops and selects pollution-free and low pollution process to reduce waste.

2. Strengthen independent inspection of industrial safety production management

When employees face different working environments, processes, operations and operations that may cause physical injury due to unsafe work, equipment or management. Therefore, the Company strengthened the automatic inspection of job positions, promoted industrial safety and health management plan, found potential hazards and actively improved and effectively controlled. Automatic inspection of jobs includes equipment, raw materials use, operating environment, work machinery, and motor vehicles. Among them, the equipment includes high pressure gas specific equipment, second pressure vessel, local exhaust, high and low voltage electrical equipment, etc. The machinery includes stacker, lift, general vehicle, pipe production machine, pipe cutting machine, automatic welding machine, pipe bending machine, punching machine, etc.

3. Continue to carry out dust collection and cleaning

The Company fully utilizes resources and effectively reduces waste and production costs, in addition to improving process and operation management to increase recycling and reduce waste generation. On the other hand, the development and selection of non-polluting and low-pollution processes to reduce waste.

4. Implement a waste separation scheme

With reference to the laws and regulations of Shanghai municipal solid waste management, waste classification was implemented in the plant area of its main operating body, Keysheen Industry (Shanghai) Co., Ltd., and added a garbage baler to package all kinds of waste by classification, and wet and dry garbage cans to separate the wet and dry garbage for unified treatment, so as to make a contribution to the earth's environmental protection, reduce the cost of garbage cleaning and transportation, and increase revenue from recycling.

5. Continue to implement environmental risk contingency plans

The Company's environmental equipment and facilities are basically perfect, chemical warehouse storage specifications are improved, and pollution sources generated by on-site chemical use are reduced. Improve the storage space of hazardous waste, rationally store and dispose of hazardous waste to reduce environmental pollution caused by waste. Enhance emergency response capability for accidents, increase emergency guiding trenches and emergency accident pools, and improve sources of pollution to reduce property losses and other losses caused by accidents, etc.

(II) Any loss sustained as a result of labor disputes in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: N/A.

Any loss sustained as a result of labor disputes discloses an estimate of losses incurred or likely to be incurred in the future, and indicate mitigation measures being or to be taken: The company has always been committed to harmonious labor relations, so there is no major loss due to labor disputes.

VI. Important contracts

Contract type	Party involved	Duration of contract Date	Major content	Restriction terms
Line of credit contract	CTBC Bank	Aug. 16th, 2019 - Jun. 30th, 2020	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	Citi Bank	Dec. 30th, 2019 - Dec. 30th, 2020	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	Taipei Fubon Bank	Aug. 15th, 2019 - May 31st, 2020	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	E. Sun Bank	Sep. 3rd, 2019 - Aug. 12th, 2020	The bank line of credit contract of Courtyard Creations Inc.	None
Line of credit contract	CTBC Bank	Aug. 16th, 2019 - Jun. 30th, 2020	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	CTBC Bank	Mar. 1st, 2018 - Mar. 31st, 2021	The mid-term bank line of credit contract of Creative Courtyards International Limited	None
Line of credit contract	Citi Bank	Dec. 30th, 2019 - Dec. 30th, 2020	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	E. Sun Bank	Sep. 3rd, 2019 - Aug. 12th, 2020	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	Taipei Fubon Bank	Aug. 15th, 2019 - May 31st, 2020	The bank line of credit contract of Creative Courtyards International Limited and Samoa Creative Courtyards International Limited Taiwan Branch	None
Line of credit contract	CTBC Bank	Aug. 16th, 2019 - Jun. 30th, 2020	The mid-term bank line of credit contract of Keysheen (Cayman)Holdings Co., Limited	None
Line of credit contract	E. Sun Bank	Sep. 3rd, 2019 - Aug. 12th, 2020	The line of credit contract of Keysheen (Cayman)Holdings Co., Limited	None
Equipment contract	Wuhan Jinyun Laser Limited	Apr. 12th, 2019 - Apr. 12th, 2020	Laser tube cutting machine equipment Keysheen Vietnam Ltd.	None
Equipment contract	3D MASTER	Mar. 1st, 2019 - Mar. 1st, 2020	3D scanner equipment of Keysheen Vietnam Ltd.	None
Construction contract	CHIEN HUONG BUILDING AND TRADING., JSC	Jan. 10th, 2019 - Jan. 10th, 2020	Welding area on the second floor of plant 4 of Keysheen Vietnam Ltd.	None
Equipment contract	Guangzhou Linght Industry Group	May. 14th, 2019 - May. 14th, 2020	Rattan making equipment of Keysheen Vietnam Ltd.	None
Construction contract	Guoquan Machinery Industry	Aug. 1st, 2019 - Aug. 1st, 2020	Boiler displacement engineering of Keysheen Vietnam Ltd.	None

Six. Overview of financial status

I. The condensed balance sheet and statement of comprehensive income for the most recent 5 fiscal years

(I) Condensed balance sheets

In Thousands of New Taiwan Dollars

Item	Year	Summary financial data for the most recent 5 fiscal years (Note 1)					Financial information as of Mar. 31st, 2019 financial data (Note 3) (Note 6)
		2015	2016	2017	2018	2019	
current assets		5,326,334	4,249,991	5,028,345	5,652,065	4,018,211	3,735,744
Property, plants and equipment (Note 2)		1,706,042	1,550,904	1,798,232	1,833,550	1,589,126	1,530,499
Intangible Assets		25,749	25,830	25,363	21,588	22,420	21,147
other assets(Note 2)		279,129	348,366	334,595	320,001	351,430	347,253
total assets		7,337,254	6,175,091	7,186,535	7,827,204	5,981,187	5,634,643
current liabilities	Before distribution	2,676,991	1,262,655	2,741,083	3,375,744	1,912,704	1,456,912
	After distribution	3,052,331	1,679,699	2,777,574	3,375,744	1,951,280 (Note 7)	1,456,912
Non-current liabilities		209,816	266,339	310,093	455,945	162,448	184,869
total liabilities	Before distribution	2,886,807	1,528,994	3,051,176	3,831,689	2,075,152	1,641,781
	After distribution	3,262,147	1,946,038	3,087,667	3,831,689	2,113,728 (note 7)	1,641,781
Equity attributable to owners of the parent		4,450,447	4,646,097	4,135,359	3,995,515	3,906,035	3,992,862
Share capital		1,042,610	1,042,610	1,042,610	1,042,610	1,042,610	1,042,610
Capital surplus		2,197,309	2,113,900	2,113,900	2,113,900	2,113,900	2,113,900
Retained earnings	Before distribution	771,374	1,330,256	958,270	871,462	919,830	1,039,969
	After distribution	479,443	913,212	921,779	871,462	881,254 (Note 7)	1,039,969
Other equity		439,154	159,331	20,579	(32,457)	(170,305)	(203,617)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
equity total amount	Before distribution	4,450,447	4,646,097	4,135,359	3,995,515	3,906,035	3,992,862
	After distribution	4,075,107	4,229,053	4,098,868	3,995,515	3,867,459 (Note 7)	3,992,862

*If only the parent company has financial statements made, only the condensed balance sheets and statements of the parent company's comprehensive income for the past 5 fiscal years have to be made.

Note1: The year financial statement not certified by a CPA has to be noted.

Note2: Those who have applied for asset revaluation in the year should include the date of processing and the value of the revaluation.

Note3: If, before the date of publication of the annual report of listed company, there are any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Note4: when mentioned after distribution, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note5: For those who have been notified by the competent authority to revise their financial information or make the corrections by themselves, all the figures/numbers used shall be the revised or corrected ones, and the status and reasons for such revision shall be noted.

Note6: The consolidated financial reports for Mar. 31st, 2020, audited and attested by CPAs.

Note7: The Company's 2019 earnings distribution plan was approved at the Board of Directors' meeting on Mar. 24th, 2020.

(II) Condensed statements of comprehensive income

In thousands of NTD, except earnings(deficits) per share

Fiscal year Item	Summary financial data for the most recent 5 fiscal years (Note 1)					As of Mar. 31st, 2020 (Note 2) (Note 5)
	2015	2016	2017	2018	2019	
Operating income	5,880,350	4,816,831	4,867,900	6,152,017	4,637,001	1,526,409
Gross profit	1,685,104	1,400,490	1,139,010	1,249,528	1,039,509	432,574
Operating income	562,436	405,657	127,789	134,699	62,529	170,116
Non-operating income and expenditure	149,315	945,916	30,668	(60,806)	47,815	26,652
Profit before tax	711,751	1,351,573	158,457	73,893	110,344	196,768
Net income from Continuing Operation	452,421	850,813	45,058	(50,317)	48,368	158,715
Loss from Discontinued Operations	-	-	-	-	-	-
Net income(loss)	452,421	850,813	45,058	(50,317)	48,368	158,715
other comprehensive income and expenses net operating profit after tax	(46,819)	(279,823)	(138,752)	(53,036)	(137,848)	(33,312)
Total comprehensive income and expenses	405,602	570,990	(93,694)	(103,353)	(89,480)	125,403
Comprehensive income attributable to owners of the parent	452,421	850,813	45,058	(50,317)	48,368	158,715
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to owners of the parent	405,602	570,990	(93,694)	(103,353)	(89,480)	125,403
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings Per Share	4.28	8.16	0.43	(0.48)	0.46	1.52

*If only the parent company has financial statements made, only the condensed balance sheets and statements of the parent company's comprehensive income for the past 5 fiscal years have to be made.

Note 1: The year financial statement not certified by a CPA have to be noted.

Note 2: If, before the date of publication of the annual report of a listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Note 3: Loss from Discontinued Operations listed the net amount deducted tax.

Note 4: For those who have been notified by the competent authority to revise their financial information or make the corrections by themselves, all the figures/numbers used shall be the revised or corrected ones, and the status and reasons for such revision shall be noted.

Note 5: The consolidated financial reports for Mar. 31st, 2020, audited and attested by CPAs.

(III) Showing the name of the certified public accountant and the auditor's opinion given thereby for the past 5 fiscal years.

Fiscal year	Name of the certified public accountant firm	Certified public accountant	Opinion
2019	Deloitte and Touche Taipei, Taiwan	Lu I-Chen; Lin Yi-Hui	Unqualified opinion
2018	Deloitte and Touche Taipei, Taiwan	Kuo Nai-Hua; Lee Li-Huang	Unqualified opinion
2017	Deloitte and Touche Taipei, Taiwan	Lin Yi-Hui; Lee Li-Huang	Unqualified opinion
2016	Deloitte and Touche Taipei, Taiwan	Hsieh Ming-Chung ; Lee Li-Huang	Unqualified opinion
2015	Deloitte and Touche Taipei, Taiwan	Chen Hui-Ming; Hsieh Ming-Chung	Unqualified opinion

II. Consolidated analysis of the financial data for the most recent 5 fiscal years

1) Year (note)		Analysis of the financial data for the most recent 5 fiscal years					As of Mar. 31st, 2020 (Note 2) (Note 8)
Analysis item (note 3)		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	39.34	24.76	42.45	48.95	34.69	29.13
	Ratio of long-term funds to property, plants and equipment	273.16	316.74	247.21	242.77	256.02	272.96
Solvency(%)	Current Ratio	198.96	336.59	183.44	167.43	210.08	256.41
	Quick Ratio	147.32	219.90	114.97	118.91	143.50	206.72
	Interest coverage ratio	117.91	324.57	39.57	2.76	4.19	29.79
Operating ability	Receivables Turnover Ratio(count)	5.22	4.20	3.86	3.56	2.95	1.37
	Average collection days	69.92	86.90	94.55	102.52	123.72	266.42
	Inventory Turnover(count)	2.62	2.42	2.25	2.82	2.54	1.18
	Account payable turnover rate(count)	4.66	5.17	4.94	5.84	5.12	2.57
	Average days in sales	139.31	150.82	162.22	129.43	143.70	309.32
	Property, plants, and equipment turnover rate(count)	3.18	2.95	2.90	3.38	2.70	0.97
	Total assets turnover(count)	0.82	0.71	0.72	0.81	0.67	0.26
Profitability	Return on assets (%)	6.43	12.65	0.73	(0.11)	1.20	2.85
	Return on equity (%)	10.34	18.71	1.03	(1.24)	1.22	4.02
	Profit before tax to paid-up capital (%) (Note 7)	68.26	129.63	15.19	7.08	10.58	18.87
	Profit margin(%)	7.69	17.66	0.92	(0.81)	1.04	10.39
	Earnings Per Share (\$)	4.28	8.16	0.43	(0.48)	0.46	1.52
Cash flows	Cash flow ratio(%)	43.35	(22.80)	(9.71)	(9.95)	82.06	30.57
	Cash flow adequacy ratio(%)	96.09	70.07	53.23	47.18	62.87	45.71
	Cash re-investment ratio(%)	14.51	(10.15)	(11.11)	(5.93)	26.01	7.21
Degree of leverage	Degree operating leverage	3.00	3.45	8.91	9.28	16.62	2.54
	Degree financial leverage	1.01	1.01	1.03	1.45	2.23	1.04

Explain changes in financial ratios over the past 2 fiscal years (If the increase or decrease is less than 20%, it can be exempted from analysis).

1. Decrease in the ratio of liabilities to assets: Mainly due to the decrease in total liabilities due to the decrease in borrowings in 2019.
2. Increase in current ratio: Mainly due to the decrease of short-term borrowings in 2019, resulting in the decrease of total current liabilities.
3. Increase in quick ratio: Mainly due to the decrease of short-term borrowings in 2019, resulting in the decrease of total current liabilities.
4. Increase of interest coverage ratio: Mainly due to the decrease of interest expense in 2019 and the increase of pre-tax profit in 2019 compared with that in 2018.
5. Increase in average cash in days: Mainly due to decrease of net sales in 2019.
6. Decrease in turnover rate (times) of real estate, plant and equipment: Mainly due to decrease in net sales in 2019.
7. Increase in return on assets: Mainly due to increase of net profit after tax in 2019.
8. Increase in return on equity: Mainly due to increase of net profit after tax in 2019.
9. Increase in the ratio of pre-tax net profit to paid-in capital: Mainly due to the increase in non-operating income in 2019, resulting in the increase in pre tax profit.
10. Increase in net profit rate: Mainly due to the increase of non-operating income in the current period, resulting in net profit after tax in the current period.
11. Increase in earnings per share: Mainly due to the increase of non-operating income in the current period, resulting in net profit after tax in the current period.
12. Increase in cash flow ratio: Mainly due to net cash inflow from operations and decrease in current liabilities in 2019.
13. Increase in cash flow adequacy ratio: Mainly due to increase in accounts receivable and cash from operating activities in 2019, increase in net cash inflow from operating activities and decrease in cash dividend distribution.
14. Cash reinvestment ratio: Mainly due to the increase in accounts receivable and cash from operating activities in 2019, resulting in the increase in net cash inflow from operating activities.
15. Decrease in degree of operation leverage: Mainly due to decrease in net profit on sales in 2019.
16. Increase in degree of financial leverage: Mainly due to the decrease in operating profit and interest expense in 2019 compared with that in 2018.

*If the parent company only has financial statements made, only the financial ratio analysis of the parent company has to be made.

Note 1: The year financial statements not certified by a CPA have to be noted.

Note 2: If, before the date of publication of the annual report of a listed company, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Note 3: At the end of the annual report, the following formula should be listed:

1. Financial structure
 - (1) Debt Ratio = total liabilities / total assets
 - (2) Ratio of long-term funds to property, plants, and equipment = (total equity + Non-current liabilities) / net value of property, plants, and equipment
2. Solvency
 - (1) Current Ratio = current assets / current liabilities
 - (2) Quick Ratio = (current assets – inventory –prepayment)/ current liabilities
 - (3) Interest coverage ratio = net income before interest expenses, taxation / interest expenses
3. Operating ability
 - (1) Receivables (including account receivables and note receivable generated from operation) turnover ratio = net sales/ average of each receivables (including account receivables and note receivable generated from operation) balance
 - (2) Average collection days = 365/Receivables Turnover Ratio
 - (3) Inventory Turnover = cost of goods sold/ average inventory amount
 - (4) Payables (including account payables and note payable generated from operation) turnover ratio = cost of goods sold / average of each payables (including account payables and note payable generated from operation) balance
 - (5) Average days in sales = 365/ inventory Turnover
 - (6) Property, plants and equipment turnover rate = net sales / average of property, plants and equipment net amount
 - (7) Total assets turnover = net sales/ average total assets
4. Profitability
 - (1) Return on assets = [earnings (loss) after tax + interest expenses*(1-tax rate)]/ average total assets
 - (2) Return on equity = earnings (loss) after tax / average total equity
 - (3) Profit margin = earnings (loss) after tax / net sales
 - (4) Earnings Per Share = (income attributable to non-controlling interests - preferred shares dividends) / weighted average number of shares outstanding (Note 4)
5. Cash flows
 - (1) Cash flow ratio = net cash flows from operating / current liabilities
 - (2) Net cash flow adequacy = net cash flows from operating for the most recent 5 fiscal years/ (capital expenditure + incremental in inventory + cash dividend) for the most recent 5 fiscal years
 - (3) Cash re-investment ratio = (net cash flows from operating - cash dividend) / (gross amount of property, plants, and equipment + long term investments + other non-current assets + working capital) (Note 5)
6. Degree of leverage:
 - (1) Degree operating leverage = (net operating income - operating variable costs & expenses) / operating profit (Note 6)
 - (2) Degree financial leverage = operating profit / (operating profit – interest expense)

Note 4: The formula for calculating the earnings per share should pay attention to the following:

1. Shares are based on the weighted average number of common shares, not the number of shares outstanding at the end of the year.
2. For those who have cash increase or treasury share transactions, it should consider the circulation period and calculate the weighted average number of shares.
3. If shares are distributed in connection with a capital increase out of earnings or capital reserve, when calculating the earnings per share for the previous year and the semi-annual period, should be retrospectively adjusted according to the proportion of capital increase, and there is no need to consider the issue period of the capital increase.
4. If the preferred shares are a non-convertible accumulative preferred shares, its annual dividend (whether or not it is paid) shall be deducted from net profit after tax or increase the net loss after tax. If the preferred shares are non-cumulative, in the case of net profit after tax, the preferred shares dividend shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.

Note 5: The cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating refers to the net cash inflows from operating in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflows per year of capital investment.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividend for common stock and preferred shares.
5. Gross amount of property, plants, and equipment refers to the total amount of property, plants, and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify various operating costs and expenses into fixed and variable terms according to their nature. If there is any estimation or subjective judgment, it should be paid attention to the rationality and maintain consistency.

Note 7: If the company stock has no denomination or the denomination is not NT\$ 10, the calculation of the said paid-in capital ratio shall be calculated based on the equity ratio of the owner of the parent company.

Note 8: The consolidated financial reports for March 31, 2020, audited and attested by CPAs.

III. The supervisors' audit review report on financial statements of the most recent year's financial report

The supervisors' audit review report

The Board of Directors hereby submits the Company 2019 business report, consolidated financial statements, and proposal for distribution of earnings, etc. The Company's 2019 financial statements were audited, with audit report issued, by independent auditors, Lu I-Chen, Lin Yi-Hui of Deloitte & Touche. The aforementioned business report and financial statements were reviewed by the Supervisors with no deficiency found. According to Article 219 of the Company Act, we hereby submit this review report.

Regards,

Keysheen (Cayman) Holdings Co., Limited
2020 Annual General Shareholders' Meeting

Supervisor: Lai Wu-Lang

Supervisor: Hu Jing-Ming

Supervisor: Chen I-Tai

Mar. 31st, 2020

IV. The most recent year's financial report

Independent Auditors' Report

The Board of Directors and Shareholders Keysheen (Cayman) Holdings Co., Limited:

Opinions

We have audited the accompanying consolidated financial statements of Keysheen (Cayman) Holdings Co., Limited and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinions

In 2019, we conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Jin-Guan-Zheng-Shen-Zi No. 1090360805 as of February 25, 2020 issued by the Financial Supervisory Commission of the Republic of China and auditing standards generally accepted in the Republic of China. In 2018, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Keysheen Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Authenticity of revenue generated by some major customers

Keysheen Group's main source of revenue is sales of outdoor furniture and rattan table and chair products, and its main customers are relatively concentrated. Therefore, the authenticity of revenue generated by main customers whose sales amount changes meet specific conditions is listed as a key audit item.

Corresponding audit procedures

Our key audit procedures performed with respect to the above area include the following:

1. Understand the revenue recognition internal control procedures and test whether or not their internal controls are effective.
2. Carry out a spot check on sales revenue generated by some major customers.

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, the guidelines issued by the competent authority, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 the Supervisor, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 misstatements, whether due to fraud or error, and to issue

an auditors' 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 the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements in the 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.
2. 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. 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.
6. 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 for the year 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

Deloitte and Touche Taipei, Taiwan

Auditor LU I-CHEN

Auditor LIN YI-HUI

Approved document number by the
Financial Supervisory Commission of the
Republic of China
Jin-Guan-Zheng-Shen-Zi No. 1080321204

Approved document number by the
Financial Supervisory Commission of the
Republic of China
Jin-Guan-Zheng-Liu-Zi No. 0940161384

The English version of the consolidated financial statements is translated from the Chinese version and is not audited by Deloitte & Touche.

March 24, 2020

Keysheen (Cayman) Holdings Co., Limited and subsidiaries

Consolidated Balance Sheets

December 31, 2019 & 2018

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 1,594,143	27	\$ 1,565,555	20
1170	Account receivables (Notes 8 and 21)	1,014,008	17	2,125,863	27
1200	other receivables (Note 8)	1,546	-	10,622	-
1220	Current tax assets (Note 23)	14,857	-	-	-
130X	Inventories (Note 9)	1,216,452	20	1,614,708	21
1410	Prepayments (Notes 14 and 15)	176,954	3	335,269	4
1470	Other current assets	251	-	48	-
11XX	Total current assets	<u>4,018,211</u>	<u>67</u>	<u>5,652,065</u>	<u>72</u>
	Noncurrent assets				
1600	Property, plants, and equipment (Note 11)	1,589,126	27	1,833,550	24
1755	Right-of-use assets (Note 12)	339,941	6	-	-
1780	Other intangible assets (Note 13)	22,420	-	21,588	-
1840	Deferred tax assets (Note 23)	7,609	-	8,135	-
1985	Prepaid lease – non-current (Note 14)	-	-	306,442	4
1990	Other non-current assets (Note 15)	3,880	-	5,424	-
15XX	Total non-current assets	<u>1,962,976</u>	<u>33</u>	<u>2,175,139</u>	<u>28</u>
1XXX	Total assets	<u>\$ 5,981,187</u>	<u>100</u>	<u>\$ 7,827,204</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	Current Liabilities				
2100	Short-Term Borrowings (Note 16)	\$ 861,026	15	\$ 1,935,392	25
2120	Financial liabilities at fair value through profit or loss—current (Notes 7 and 28)	3,712	-	25,315	-
2130	Contract liabilities – current (Note 21)	7,526	-	6,335	-
2170	Accounts payable (Note 17)	559,239	9	843,979	11
2200	Other payables (Note 18)	247,515	4	379,627	5
2230	Current tax liabilities (Note 23)	9,710	-	40,965	-
2280	Lease liabilities – current (Note 12)	9,712	-	-	-
2320	Long-term liabilities due in one year or one business cycle (Note 16)	210,228	4	138,115	2
2399	Other current liabilities (Note 18)	4,036	-	6,016	-
21XX	Total current liabilities	<u>1,912,704</u>	<u>32</u>	<u>3,375,744</u>	<u>43</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 16)	-	-	322,268	4
2570	Deferred tax liabilities (Note 23)	128,188	2	133,342	2
2580	Lease liabilities – noncurrent (Note 12)	33,937	1	-	-
2670	Other noncurrent liabilities	323	-	335	-
25XX	Total noncurrent liabilities	<u>162,448</u>	<u>3</u>	<u>455,945</u>	<u>6</u>
2XXX	total liabilities	<u>2,075,152</u>	<u>35</u>	<u>3,831,689</u>	<u>49</u>
	Equity attributable to owners of the company (Note 20)				
	Share capital				
3110	Common shares	1,042,610	18	1,042,610	13
3200	Capital surplus	2,113,900	35	2,113,900	27
	Retained earnings				
3310	Legal reserve	138,209	2	138,209	2
3320	Special capital reserve	32,457	1	-	-
3350	Unappropriated earnings	749,164	12	733,253	9
3300	Total retained earnings	<u>919,830</u>	<u>15</u>	<u>871,462</u>	<u>11</u>
3400	Other equity	(170,305)	(3)	(32,457)	-
31XX	Total equity attributable to owners of the company	<u>3,906,035</u>	<u>65</u>	<u>3,995,515</u>	<u>51</u>
3XXX	Total equity	<u>3,906,035</u>	<u>65</u>	<u>3,995,515</u>	<u>51</u>
	Total liabilities and equity	<u>\$ 5,981,187</u>	<u>100</u>	<u>\$ 7,827,204</u>	<u>100</u>

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

Chairman: LIU CHUNG-HSIN

Manager: LIU I-HSIAO

Chief Accountant: YI YING-JIAO

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Statements of Comprehensive Income
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars,
Except Earnings (Deficit) Per Share

Code		2019		2018	
		Amount	%	Amount	%
	Operating income				
4100	Sales revenue (Note 21)	\$ 4,637,001	100	\$ 6,152,017	100
	Operating costs				
5110	Cost of goods sold (Notes 9 and 22)	(3,597,492)	(78)	(4,902,489)	(80)
5900	Gross profit	<u>1,039,509</u>	<u>22</u>	<u>1,249,528</u>	<u>20</u>
	Operating expenses (Notes 22 and 29)				
6100	Selling expenses	(527,187)	(11)	(594,863)	(10)
6200	Management expenses	(371,549)	(8)	(418,977)	(7)
6300	Research and development expenses	(78,244)	(2)	(100,989)	(1)
6000	Total operating expenses	(<u>976,980</u>)	(<u>21</u>)	(<u>1,114,829</u>)	(<u>18</u>)
6900	Net operating profit	<u>62,529</u>	<u>1</u>	<u>134,699</u>	<u>2</u>
	Non-operating income and expenditure (Note 22)				
7010	Other income	42,258	1	75,619	1
7020	Other gains and losses	40,093	1	(94,605)	(1)
7050	Financing costs	(34,536)	(1)	(41,820)	(1)
7000	Total non-operating income and expenditure	<u>47,815</u>	<u>1</u>	(<u>60,806</u>)	(<u>1</u>)
7900	Profit before tax	110,344	2	73,893	1
7950	Income tax expenses (Note 23)	(61,976)	(1)	(124,210)	(2)
8200	Net profit (loss)	<u>48,368</u>	<u>1</u>	(<u>50,317</u>)	(<u>1</u>)

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Code		2019		2018	
		Amount	%	Amount	%
	other comprehensive income and expenses				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Exchange difference of translation to presentation currency	(\$ 151,769)	(3)	(\$ 81,794)	(1)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	<u>13,921</u>	<u>-</u>	<u>28,758</u>	<u>-</u>
8300	current other comprehensive income and expenses (net amount after tax)	(<u>137,848</u>)	(<u>3</u>)	(<u>53,036</u>)	(<u>1</u>)
8500	Total comprehensive income for the year	(<u>\$ 89,480</u>)	(<u>2</u>)	(<u>\$ 103,353</u>)	(<u>2</u>)
8600	Net income (loss) attributed to				
8610	Stockholders of the Company	<u>\$ 48,368</u>	<u>1</u>	(<u>\$ 50,317</u>)	(<u>1</u>)
8700	Total comprehensive income attributed to				
8710	Stockholders of the Company	(<u>\$ 89,480</u>)	(<u>2</u>)	(<u>\$ 103,353</u>)	(<u>2</u>)
	Earnings per share (deficit) (Note 25)				
9710	Basic	<u>\$ 0.46</u>		(<u>\$ 0.48</u>)	
9810	Dilution	<u>\$ 0.46</u>		(<u>\$ 0.48</u>)	

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

Chairman: LIU CHUNG-HSIN Manager: LIU I-HSIAO Chief Accountant: YI YING-JIAO

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Statements of Changes In Equity
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

		attributable to Equity for owners of the company							
		Share capital		Retained earnings			Other equity items Foreign operations translation of financial statements		
Code		Shares (thousand shares)	Amount	Capital surplus	Legal reserve	Special surplus reserve	Unappropriated earnings	Exchange difference of	Total Equity
A1	BALANCE at JANUARY 1, 2018	104,261	\$ 1,042,610	\$ 2,113,900	\$ 138,209	\$ -	\$ 820,061	\$ 20,579	\$4,135,359
B5	Appropriation and distribution of retained earnings generated in 2017 the shareholder cash dividends	-	-	-	-	-	(36,491)	-	(36,491)
D1	Net loss for the year 2018	-	-	-	-	-	(50,317)	-	(50,317)
D3	Other comprehensive income for the year 2018	-	-	-	-	-	-	(53,036)	(53,036)
D5	Total comprehensive income for the year 2018	-	-	-	-	-	(50,317)	(53,036)	(103,353)
Z1	BALANCE at December 31, 2018	104,261	1,042,610	2,113,900	138,209	-	733,253	(32,457)	3,995,515
B3	Appropriation and distribution of retained earnings set aside as special surplus reserve in 2018	-	-	-	-	32,457	(32,457)	-	-
D1	Net income for the year 2019	-	-	-	-	-	48,368	-	48,368
D3	Other comprehensive income for the year 2019	-	-	-	-	-	-	(137,848)	(137,848)
D5	Total comprehensive income for the year 2019	-	-	-	-	-	48,368	(137,848)	(89,480)
Z1	BALANCE at December 31, 2019	<u>104,261</u>	<u>\$ 1,042,610</u>	<u>\$ 2,113,900</u>	<u>\$ 138,209</u>	<u>\$ 32,457</u>	<u>\$ 749,164</u>	<u>(\$ 170,305)</u>	<u>\$3,906,035</u>

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

Chairman: LIU CHUNG-HSIN

Manager: LIU I-HSIAO

Chief Accountant: YI YING-JIAO

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Consolidated Statements of Cash Flows
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

Code		2019	2018
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net profit before tax for the year	\$ 110,344	\$ 73,893
A20010	Adjustments for:		
A20100	Depreciation expenses	238,380	204,637
A20200	Amortization expenses	4,616	4,287
A20300	Expected credit impairment losses	1,616	76
A20400	Net loss on financial liabilities at fair value through profit or loss	3,788	24,734
A20900	Financing costs	34,536	41,820
A21200	Interest revenue	(18,518)	(19,528)
A22500	Loss on disposal of real estate, plants and equipment	71	565
A23700	Reduction of inventory to market and obsolescence loss	-	8,149
A29900	Amortization of pre-paid leases	-	9,500
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	-	2
A31150	Accounts receivable	1,110,241	(798,296)
A31180	Other receivables	8,745	64,961
A31200	Inventory	399,465	227,127
A31230	Prepayments	148,885	44,763
A31240	Other current assets	(203)	21,838
A32125	Contract liability	1,191	-
A32150	Accounts payable	(284,740)	9,966
A32180	Other payables	(86,375)	13,028
A32230	Other current liabilities	(1,980)	(8,395)
A33000	Cash generated from operations	1,670,062	(76,873)
A33100	Interest received	18,857	19,301
A33300	Interest paid	(34,007)	(40,415)
A33500	Income tax paid	(85,276)	(237,919)
AAAA	Net cash provided by (used in) operating activities	<u>1,569,636</u>	<u>(335,906)</u>
	Cash flows from investing activities		
B02700	Acquisition of real estates, plants, and equipment	(63,611)	(214,982)
B02800	Proceeds from disposal of real estate, plants and equipment	-	15,980
B03700	Guarantee deposits increased	(743)	(1)

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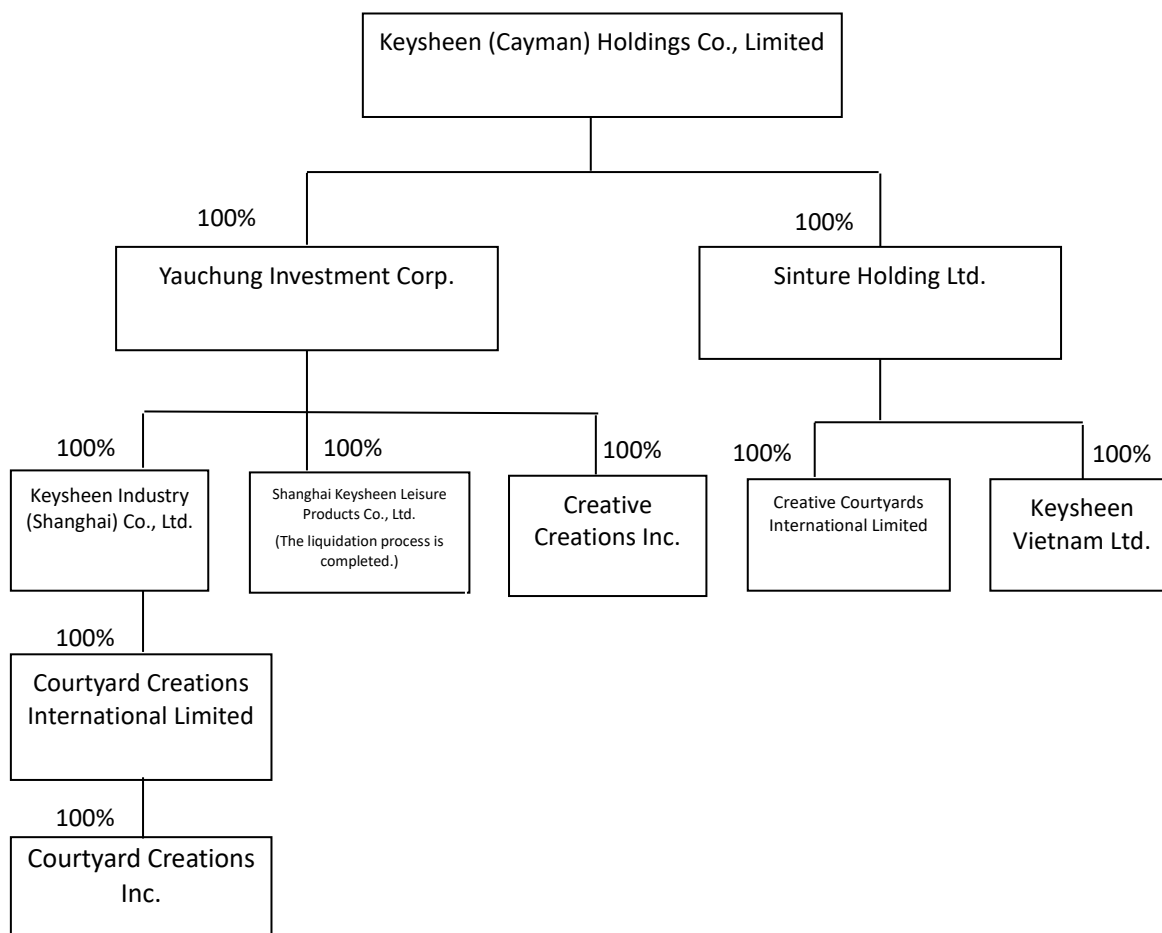
Code		2019	2018
B04500	Acquisition of intangible assets	(\$ 3,086)	(\$ 669)
B07100	Pre-payments for equipment increased	(<u>5,158</u>)	(<u>19,571</u>)
BBBB	Net cash flows from investing activities	(<u>72,598</u>)	(<u>219,243</u>)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	-	511,580
C00200	Decrease in short-term borrowings	(1,074,366)	-
C01600	Increase in long-term borrowings	-	311,240
C01700	Repayment of long-term loan	(250,155)	-
C03100	Returning of guarantee deposits received	-	(7)
C04020	Payments of lease liabilities	(10,531)	-
C04400	Decrease in other non-current liabilities	(12)	-
C04500	Pay dividends to Stockholders of the Company	<u>-</u>	(<u>36,491</u>)
CCCC	Net cash provided by (used in) financing activities	(<u>1,335,064</u>)	<u>786,322</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(<u>133,386</u>)	(<u>32,342</u>)
EEEE	Net increase in cash and cash equivalents	28,588	198,831
E00100	Beginning balance of cash and cash equivalents	<u>1,565,555</u>	<u>1,366,724</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 1,594,143</u>	<u>\$ 1,565,555</u>

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

Chairman: LIU CHUNG-HSIN Manager: LIU I-HSIAO Chief Accountant: YI YING-JIAO

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Notes to Consolidated Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization



(I) Keysheen (Cayman) Holdings Co., Limited (hereinafter referred to as “the company”) was established in September 2010 in the British Cayman Islands. It was mainly reorganized for the purpose of listed in the Taiwan Stock Exchange Corporation. After the reorganization, the company became the holding company of all the merged individuals. Yauchung Investment Corp. was acquired on January 10, 2011, at a Stock Exchange Ratio of 6.67:1. The company has listed on the Taiwan Stock Exchange since December 6, 2011.

- (II) Yauchung Investment Corp. (hereinafter referred to as “Yauchung Corp.”) was established in Samoa in 2003 and was fully owned by the company. The major business is professional investment.
- (III) Sinture Holding Ltd. (hereinafter referred to as “STH Company”) was established in Samoa in October 2015 and was established by the company with 100% investment. The major business is professional investment.
- (IV) Keysheen Industry (Shanghai) Co., Ltd. (hereinafter referred to as “Shanghai Keysheen”) was established in Shanghai in September 1997 and is 100% owned by Yauchung Corp. with a business period of 30 years. The main business items are production of various types of outdoor steel furniture and home textiles.
- (V) Shanghai Keysheen Leisure Products Co., Ltd. (hereinafter referred to as “Shanghai Keysheen Leisure Products”) was established in Shanghai in May 1995 and is 100% owned by Yauchung Corp. with a business period of 30 years. The main business items are the production of various types of outdoor steel furniture and health & leisure equipment. Shanghai Keysheen Leisure Products was liquidated and dissolved by the resolution of shareholders' meeting on July 23, 2018. Please refer to Note 10.
- (VI) Courtyard Creations International Limited was established in Hong Kong in 2008 and is 100% owned by Shanghai Keysheen. The major business is professional investment.
- (VII) Courtyard Creations Inc. was established in January 2003 in Mauritius, and was acquired 100% by Courtyard Creations International Limited in March 2009. The main business items are the production of various types of outdoor furniture.
- (VIII) Keysheen Vietnam Ltd. (hereinafter referred to as “Keysheen Vietnam”) was established in January 2016 in Bac Ninh Province, Vietnam, and was established by STH Company with 100% investment. The main business is the production of outdoor metal and artificial plastic rattan tables and chairs and equipment.
- (IX) Creative Courtyards International Limited (hereinafter referred to as “CCIO”) was established in Samoa in November 2015 and was established by STH Company with 100% investment. In October 2016, CCIO has established the Taiwan branch of Creative Courtyards International Limited (SAMOA), Taiwan Branch (hereinafter referred to as “CCITW” company). The main business items are the production of various types of outdoor furniture.
- (X) Creative Creations Inc. was established in Shanghai in January 2018 and is 100% owned by Yauchung Corp. with a business period of 20 years. The main business items are the production of various types of outdoor furniture.

The functional currency of the Company is RMB. Since the Company has listed in TWSE, the consolidated financial report is expressed in NTD in order to increase the comparativeness and consistency of the consolidated financial statements.

II. Approval of Financial Statements

The consolidated financial statements have been adopted by the board of directors on March 24, 2020.

III. Application of New, Amended and Revised Standards and Interpretations

- (I) Initial applicable of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the regulations Governing the Preparation of Financial Reports and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "leases" and IFRIC 4 "decide whether or not an arrangement includes a lease" as well as related interpretations. For related accounting policies, please refer to Note 4.

Lease definition

Only contracts signed or amended after January 1, 2019 will be considered whether or not they are (or include) leases. Contracts that have been classified as leases under IAS 17 and IFRIC 4 will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

If the Group is a lessee

It shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. Prior to the application of IFRS 16, contracts classified as operating leases were recognized

on a straight-line basis. The lease payments prepaid for the rights of land use in the PRC and Vietnam are recognized as prepaid lease payments. Operating lease cash flow is expressed in business activities in the consolidated cash flow statement. Contracts classified as finance leases are recognized in the consolidated balance sheet as lease assets and lease payments payable.

For agreements that were previously classified as operating leases under IAS 17, the measurement of the lease liability on January 1, 2019 will be discounted by the remaining lease payments at the borrowing rate of the lessee at that date. The right-of-use asset will be discounted at the aforementioned interest rate and measured as if IFRS 16 had been applied at the start date of the lease. The identified right-of-use assets will be subject to IAS 36 assessment impairment.

The group is expected to apply the following expediency:

1. A single discount rate is used to measure the lease liability for a lease combination with reasonable similar characteristics.
2. Leases ended before December 31, 2019 will be treated on a short-term lease basis.
3. Leases ended before December 31, 2019 will be treated on a short-term lease basis.
4. The original direct cost is not included in the right-to-use asset measurement on January 1, 2019.
5. When measuring the lease liabilities, the decision of each lease period will be made with hindsight.

For leases previously classified as finance leases under IAS 17, the carrying amount of the leased assets and lease liabilities as at December 31, 2018 will be used as the carrying amount of the right-of-use assets and lease liabilities as at January 1, 2019.

The weighted average interest rate of increased borrowings applicable to the recognition of lease liabilities by the Group on January 1, 2019 is 3.57%. The difference between the amount of the lease liability and the total future minimum lease payment of the non-cancellable operating lease on December 31, 2018 is as follows:

The future minimum total payment of noncancellable operating lease on December 31, 2018

The total future minimum lease payment of non-cancellable operating lease on December 31, 2018.	\$ 1,289
Minus: Short term lease subject to exemption.	(<u>1,289</u>)
Total undiscounted amount on January 1, 2019.	\$ _____
Present value after discount at the interest rate of increased loan on January 1, 2019.	\$ -
Plus : Adjustment due to different treatment of extension of lease option and termination of lease option.	<u>48,355</u>
Balance of lease liabilities on January 1, 2019.	<u>\$ 48,355</u>

For the first time IFRS 16 is applied adjustments of the assets, liabilities and equity items on January 1, 2019 are as follows:

	The carrying amounts as of December 31, 2018	First applicable Adjustment	JANUARY 1, 2019 after adjustment the carrying amounts
Prepaid lease payments - current (recognized as other current assets)	\$ 9,430	(\$ 9,430)	-
Prepaid Leases - Non-current	\$ 306,442	(\$ 306,442)	-
Right-of-use assets	<u>\$ -</u>	<u>\$ 364,227</u>	<u>\$ 364,227</u>
Effect on assets	<u>\$ 315,872</u>	<u>\$ 48,355</u>	<u>\$ 364,227</u>
Lease liabilities-current	\$ -	\$ 9,989	\$ 9,989
Lease liabilities - noncurrent	<u>-</u>	<u>38,366</u>	<u>38,366</u>
Effect on liabilities	<u>\$ -</u>	<u>\$ 48,355</u>	<u>\$ 48,355</u>

(II) IFRSs approved by the Financial Supervision Commission (hereinafter referred to as the "FSC") in 2020.

<u>New IFRSs and amendments</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 "Definition of Business"	January 1, 2020 (Note 1)
Amendments to " Interest Rate Benchmark Reform " in IFRS 9, IAS 39 and IFRS 7	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The amendments are applicable to business merge of which the date of acquisition is after January 1, 2020 and asset acquisition that occurs after the aforesaid date.

Note 2: The amendments are applicable to retrospective application deferred for the annual period beginning after January 1, 2020.

Note 3: The amendments are applicable to rolling forward for the annual period beginning after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and the amendments to interpretations will have on the Group's financial position and financial performance, and will disclose relevant impact when the assessment is completed.

(III) New IFRSs in IASB issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs and amendments</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS1 "Classify liabilities as current or noncurrent"	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the competent authority, and IFRSs as endorsed by the FSC.

(II) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the end of each reporting period; and
3. Cash and cash equivalents (excluding those who are restricted by the exchange or liquidation of debts for more than 12 months after the end of each reporting period)

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Those who are restricted by the exchange or liquidation of debts within 12 months after the end of each reporting period (after the end of each reporting period and the completion of the long-term refinancing or rescheduling payment agreement before the release of the financial report, it is also a current liability); and
3. The settlement period cannot be unconditionally deferred to at least 12 months after the balance sheet date.

Those who are not the above current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Total comprehensive income has been included in the operating gains and losses of the acquired or divested company in the current period from the date of acquisition or to the date of disposal. When necessary, adjustments are made to the financial statements of its subsidiaries to bring its accounting policies into line with those used by the Company. All intergroup transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of

the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For the details of subsidiaries, shareholding ratio and business items, please refer to Note 10 and TABLE 7.

(V) Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arise from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. The conversion difference arising from the translation of the functional currency into the expression currency is not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a

financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

(VI) Inventory

Inventories include raw materials, materials, finished goods, and work in progress. Inventories are measured at the lower of cost and net realizable value. When comparing costs and net realizable values, they are based on individual items except for the same type of inventory. The net realized value is the balance of the estimated selling price under normal circumstances minus the estimated cost of completion and the estimated cost of completing the sale. Weighted average method has been adopted for the calculation of inventory cost.

(VII) Property, plants and equipment

Property, plants and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plants and equipment under construction are stated at cost, less accumulated impairment loss. Cost includes professional service fees and borrowing costs that are eligible for capitalization. Such assets are classified to the appropriate categories of immovable property, plants and equipment and depreciation is commenced when completed and expected to be used.

Property, plants and equipment are recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an item of property, plants and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible Assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially recognized at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2. De-recognition of intangible assets

On de-recognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Impairment of Tangible and Intangible Assets and Contract Cost

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

For the inventory, real estate, plants and equipment and intangible assets recognized in a customer contract are recognized for impairment according to the inventory impairment requirements and the above provisions. The amount of the remaining amount of the consideration is deducted from the directly related costs. The carrying amount of the contract-related assets is included in the cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(X) Financial Instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets

and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement category

The category of financial assets held by the Group is financial assets measured at amortized cost.

Financial assets measured at amortized cost

The Group investment financial assets are classified as financial assets measured at amortized cost if they meet the following two criteria:

- A. Is held under a business model whose purpose is to hold financial assets and collecting contractual cash flows;
- B. The contract terms generate cash flows on a specific date, which is the interest on the principal and the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, account receivables measured at amortized cost, other receivables, and guarantee deposits) are recognized in profit or loss on the basis of the original carrying amount determined by the effective interest method less any amortized loss of any impairment losses.

Interest revenue is calculated by multiplying the effective interest rate by the total carrying amounts of the financial assets, except for the following two cases:

- A. For purchased or initiated credit impairment financial assets, interest revenue is calculated by multiplying the credit adjusted effective interest rate by the amortized cost of financial assets.
- B. For non-purchasing or initial credit impairment, but financial assets that subsequently become credit impairments should be confident to use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest revenue from the next reporting period after derogation.

Credit impairment financial assets refer to the issuer or debtor's occurrence of major financial difficulties, breach of contract, the debtor's

likely application for bankruptcy or other financial reorganization, or disappearance of the active market of financial assets due to financial difficulties.

Cash equivalents include time deposits that are highly liquid within 3 months from the date of acquisition, can be converted into certain cash amount at any time, and have little risk of changes in value, to meet short-term cash commitments.

(2) Impairment of financial assets and contract assets

Impairment losses of financial assets (including accounts receivable) measured at amortized cost are assessed at expected credit losses at each of the Group's date of balance sheet.

The loss allowance is required for financial assets measured at expected credit losses during terms for accounts receivable. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low.

The expected credit losses is the weighted average credit loss weighted by the risk of default. The 12-month expected credit losses represents the expected credit losses arising from the possible default of the financial instrument in the 12 months after the report, and the expected credit losses during the lifetime represents the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

The impairment loss of all financial assets is reduced through the use of an allowance accounts. However, the allowance loss of a debt instrument investment measured at fair value through other comprehensive gains and losses is recognized in other comprehensive gains and losses and does not reduce its carrying amount.

(3) De-recognition of financial assets

The Group derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On de-recognition of an investment in debt instruments measured at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On de-recognition of an investment in equity instruments measured at FVTOCI, the accumulated profit and loss will transfer to retained earnings, and will not be reclassified to profit or loss.

2. Financial liabilities

(1) Subsequent measurement

Except in the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Relevant benefits or losses are recognized in other gains and losses, and other gains or losses arising from remeasurement. For the decision on fair value through profit or loss, please refer to Note 28.

(2) De-recognition of financial liabilities

The difference between the carrying amount of the financial liability de-recognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3. Derivative Financial Instruments

The derivative financial instruments signed by the Group are forward contracts used to manage the exchange rate risk.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends

on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

If derivatives are embedded in the asset master contract within the scope of IFRS 9, the classification of financial assets is determined by the overall contract. If derivatives are embedded in an asset master contract that is not in the scope of IFRS 9 (e.g., embedded in the master contract of financial liabilities), and if the derivatives embedded meet the definition of a derivative of which their risks and characteristics are not closely related to those of the master contract, and the contracts are not measured at fair value through profit or loss, the derivatives are recognized as separate derivatives.

(XI) Revenue Recognition

After the Group recognizes the performance obligation of the customer contract, the transaction price is distributed to each performance obligation, and the income is recognized when the performance obligations are fulfilled.

Sales revenue

Sales revenue comes from the sale of outdoor leisure furniture. Since the outdoor leisure furniture is shipped, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of outdated goods. The Group recognizes the revenue and accounts receivable at that point in time. The sales advances are recognized as contract liabilities before the goods are shipped.

When the material processing is performed, the control of the ownership of the processed product is not transferred, and the income is not recognized when the material is removed.

(XII) Leasing

2019

The Group assesses whether the contract is (or includes) a lease on the date of its establishment.

If the Group is a lessee

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss, and the re-measurement of the lease liability is adjusted. The right-of-use assets are separately expressed in the consolidated balance sheet.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the lease term.

Lease liabilities were originally measured by the present value of lease payments (including fixed payments and substantial fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used. Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the evaluation of the lease period or the change of the index or rate used to determine the lease payment results in the change of the future lease payment, the Group shall re-measure the lease liability and adjust the right-of-use assets accordingly. However, if the book amount of the right-of-use assets has been reduced to zero, the remaining re-measurement amount shall be recognized in the profit and loss. Lease liabilities are presented separately in the consolidated balance sheet.

2018

When the lease term is to transfer almost all risks and rewards attached to the ownership of the asset to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

If the Group is a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(XIII) Borrowing cost

The cost of borrowing directly attributable to the acquisition, construction or production of the qualifying asset is a component of the cost of the asset until substantially all necessary activities in the state in which the asset is in its intended use or sale have been completed.

Investment income earned on the temporary investment of specific borrowings prior to the occurrence of capital expenditures in accordance with the requirements is deducted from the borrowing costs eligible for capitalization.

Except for the above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XIV) Government grants

Government grants are recognized only if it is reasonably believed that the Group will comply with the conditions attached to the government grants and will receive the grants.

Government grants are recognized in profit or loss on a systematic basis over the period. Government grants that are conditional on the acquisition, construction or other way of obtaining non-current assets are recognized as deferred income and transferred to profit or loss on a reasonable and systematic basis over the useful lives of related assets.

If a government grant is used to compensate for expenses or losses that have occurred, or for the purpose of providing immediate financial support to the Group, and no future related costs, it is recognized in profit or loss in the period in which it is available.

(XV) Employee Benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XVI) Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

1. Current tax

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible

temporary differences and unused loss carry forward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainties

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions

are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

VI. Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and working capital	\$ 382	\$ 395
Check and current deposits in banks	1,315,950	1,020,326
Cash equivalents (investments with original maturities of within three months)		
Time deposits in banks	275,520	542,454
Other currencies fund	<u>2,291</u>	<u>2,380</u>
	<u>\$ 1,594,143</u>	<u>\$ 1,565,555</u>

The ranges of market rates for intervals of bank deposit at the end of the reporting period are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
bank deposit	0.01% ~ 3.0%	0.01% ~ 4.0%

VII. Financial Instruments at fair value through profit or loss

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities-current</u>		
Held for trading		
Derivative financial instruments (non-designated hedging relationship)		
-Forward contracts	<u>\$ 3,712</u>	<u>\$ 25,315</u>

The forward contracts not applicable to general hedge accounting and not matured at the end of each reporting period are stated as follows:

	<u>Currency</u>	<u>Maturity</u>	<u>contract amount (\$)</u>
<u>December 31, 2019</u>			
Forward contracts	USD to RMB	January 15, 2020 to	USD 16,000,000/
Short position		April 22, 2020	RMB 110,659,650
<u>December 31, 2018</u>			
Forward contracts	USD to RMB	January 23, 2019	USD 28,000,000/
Short position		to April 25, 2019	RMB 186,843,400

The purpose of the Group forward foreign exchange transactions is mainly to avoid the risk of foreign currency assets and liabilities arising from exchange rate fluctuations. The forward contracts held by the Group do not comply with the effective hedging conditions, so the hedge accounting is not applicable.

VIII. Accounts receivable, and other receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amounts	\$ 1,014,075	\$2,125,986
minus: Allowance loss	(67)	(123)
	<u>\$ 1,014,008</u>	<u>\$ 2,125,863</u>
<u>Other receivables</u>		
Sales Tax Refund Receivable	\$ 16	\$ 7,959
Others	<u>1,530</u>	<u>2,663</u>
	<u>\$ 1,546</u>	<u>\$ 10,622</u>

Accounts receivable

The average credit period for the Group's sales of goods is 60 days, and the accounts receivables are not interest-bearing. In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the original credit date to the end of each reporting period. The policy adopted by the Group is to conduct transactions only with those who are equal to or higher than the investment grade and, if necessary, to obtain sufficient guarantees to mitigate the risk of financial losses arising from default. If such information is not available, the Group will review other publicly available financial information and historical transaction records to rate major customers. The Group continuously monitors the credit risk and the credit rating of the counterparties.

To mitigate credit risk, the Group management assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure that appropriate actions are taken to ensure that overdue receivables are recovered. In addition, the Group will review the recoverable amount of the accounts receivable on the balance sheet date to ensure that the accounts receivable that cannot be recovered have been provided with appropriate impairment losses. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

The Group adopts the simplification of IFRS 9 to recognize the allowance for receivables based on expected credit losses during the period. The expected credit loss during the existence period is calculated using the preparation matrix, which considers the

customer's past default record and current financial status, industrial economic situation, and considers GDP forecast and industry outlook. Due to the historical experience of credit losses of the Group, there is no significant difference in the loss patterns of different customer groups. Therefore, the preparation matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will directly write off the relevant accounts receivable, but will continue to pursue the activity, and the amount recovered by the recovery will be recognized in profit or loss.

The Group allowance for the receivables is determined by the preparation matrix as follows:

December 31, 2019

	<u>Not past due</u>	<u>Past due 1-90 days</u>	<u>Past due 91 – 180 days</u>	<u>Past due over 180 days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%~55%	100%	
Total carrying amounts	\$ 932,031	\$ 82,044	\$ -	\$ -	\$ 1,014,075
Allowance for loss (expected credit losses during the period)	-	(67)	-	-	(67)
Amortized cost	<u>\$ 932,031</u>	<u>\$ 81,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,014,008</u>

December 31, 2018

	<u>Not past due</u>	<u>Past due 1-90 days</u>	<u>Past due 91 – 180 days</u>	<u>Past due over 180 days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%~50%	100%	
Total carrying amounts	\$ 2,069,507	\$ 56,040	\$ 439	\$ -	\$ 2,125,986
Allowance for loss (expected credit losses during the period)	-	-	(123)	-	(123)
Amortized cost	<u>\$ 2,069,507</u>	<u>\$ 56,040</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 2,125,863</u>

Changes in allowance for loss are as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 123	\$ 45
plus: recognized impairment loss of the current year	1,616	76
minus: Actual reversal of the current year	(1,670)	-
Exchange difference	(2)	2
Ending Balance	<u>\$ 67</u>	<u>\$ 123</u>

IX. Inventory

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Finished goods	\$ 604,390	\$ 1,046,159
Work in progress	214,442	298,684
Raw materials	333,162	220,499
Goods in Transit	<u>64,458</u>	<u>49,366</u>
	<u>\$ 1,216,452</u>	<u>\$ 1,614,708</u>

The cost of goods sold related to inventories in 2019 and 2018 was \$3,597,492,000 and \$4,902,489,000 respectively. Cost of goods sold including reduction of inventory to market \$0 and \$8,149,000.

X. Subsidiaries

Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Business	% o f O w n e r s h i p		Descri ption
			2019 December 31	2018 December 31	
Keysheen (Cayman) Holding Co., Ltd	Yauchung Investment Corp.	Investment	100%	100%	-
Keysheen (Cayman) Holding Co., Ltd.	Sinture Holding Ltd.	Investment	100%	100%	-
Yauchung Investment Corp.	Keysheen Industry (Shanghai) Co., Ltd.	Production of various types of outdoor steel furniture	100%	100%	-
Yauchung Investment Corp.	Shanghai Leisure Products Co., Ltd.	The production of various types of outdoor steel furniture and health & leisure equipment.	-	-	Note 2
Yauchung Investment Corp.	Creative Creations Inc.	Sales of various types of outdoor furniture	100%	100%	Note 1
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations International Limited	Investment	100%	100%	-
Courtyard Creations International Limited	Courtyard Creations Inc.	Sales of various types of outdoor furniture	100%	100%	-
Sinture Holding Ltd.	Creative Courtyards International Limited	Sales of various types of outdoor furniture	100%	100%	-
Sinture Holding Ltd.	Keysheen Vietnam Ltd.	The production of metal and artificial plastic rattan tables and chairs and equipment.	100%	100%	-

Note 1: The Creative Creations Inc. was established in January 2018 by Yauchung Investment Corp. with 100% investment.

Note 2: Shanghai Keysheen Leisure Products has passed the liquidation and dissolution at the shareholders' meeting on July 23, 2018. The liquidation procedure was completed in October 2018, and the remittance was remitted in December 2018. From the date of liquidation, the company ceased. The company's revenue and loss are recognized as investment gains and losses.

XI. Property, plants and equipment

December 31, 2019

\$ 1,589,126

Owner-occupied

(I) Owner-occupied -2019

	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Electronic equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>							
BALANCE, JANUARY 1, 2019	\$ 2,233,373	\$ 948,518	\$ 56,805	\$ 101,238	\$ 311,750	\$ 2,562	\$ 3,654,246
Addition	3,883	11,103	167	780	1,482	1,558	18,973
Disposal	(126)	-	-	-	-	-	(126)
Reclassifications	1,148	4,311	1,801	-	1,219	(4,130)	4,349
Net exchange difference	(73,093)	(33,688)	(1,989)	(3,136)	(11,484)	10	(123,380)
BALANCE on December 31, 2019	<u>\$ 2,165,185</u>	<u>\$ 930,244</u>	<u>\$ 56,784</u>	<u>\$ 98,882</u>	<u>\$ 302,967</u>	<u>\$ -</u>	<u>\$ 3,554,062</u>
<u>cumulated Depreciation and Impairment</u>							
BALANCE, JANUARY 1, 2019	\$ 867,098	\$ 613,698	\$ 46,511	\$ 60,893	\$ 232,496	\$ -	\$ 1,820,696
Depreciation expenses	114,801	80,065	3,837	7,450	13,008	-	219,161
Disposal	(55)	-	-	-	-	-	(55)
Net exchange difference	(36,018)	(25,536)	(1,803)	(2,428)	(9,081)	-	(74,866)
BALANCE on December 31, 2019	<u>\$ 945,826</u>	<u>\$ 668,227</u>	<u>\$ 48,545</u>	<u>\$ 65,915</u>	<u>\$ 236,423</u>	<u>\$ -</u>	<u>\$ 1,964,936</u>
Net amount, December 31, 2019	<u>\$ 1,219,359</u>	<u>\$ 262,017</u>	<u>\$ 8,239</u>	<u>\$ 32,967</u>	<u>\$ 66,544</u>	<u>\$ -</u>	<u>\$ 1,589,126</u>

In 2019, the Group did not assess the impairment as there was no sign of impairment.

The depreciation expenses are amortized on a straight-line basis with the following useful lives:

Buildings	
main buildings at plants	Over 5 Years to 30 Years
other constructions	Over 3 Years to 20 Years
Machinery equipment	Over 1 Year to 13 Years
Electronic equipment	Over 1 Year to 10 Years
Transportation equipment	Over 2 Years to 10 Years
Other equipment	Over 2 Years to 12 Years

(II) 2018

	<u>B u i l d i n g s</u>	<u>M a c h i n e r y e q u i p m e n t</u>	<u>E l e c t r o n i c e q u i p m e n t</u>	<u>T r a n s p o r t a t i o n E q u i p m e n t</u>	<u>O t h e r E q u i p m e n t</u>	<u>C o n s t r u c t i o n i n P r o g r e s s</u>	<u>T o t a l</u>
<u>Cost</u>							
BALANCE, JANUARY 1, 2018	\$ 1,913,655	\$ 936,387	\$ 54,328	\$ 82,869	\$ 314,336	\$ 201,002	\$ 3,502,577
Addition	162,040	58,678	2,297	19,025	3,379	2,268	247,687
Disposal	(2,332)	(67,603)	-	-	-	-	(69,935)
Reclassifications	183,044	34,427	978	-	-	(197,154)	21,295
Net exchange difference	(23,034)	(13,371)	(798)	(656)	(5,965)	(3,554)	(47,378)
BALANCE on December 31, 2018	<u>\$ 2,233,373</u>	<u>\$ 948,518</u>	<u>\$ 56,805</u>	<u>\$ 101,238</u>	<u>\$ 311,750</u>	<u>\$ 2,562</u>	<u>\$ 3,654,246</u>
<u>cumulated Depreciation and Impairment</u>							
BALANCE, JANUARY 1, 2018	\$ 780,288	\$ 599,568	\$ 44,082	\$ 54,701	\$ 225,706	\$ -	\$ 1,704,345
Depreciation expenses	104,966	77,737	3,282	7,284	11,368	-	204,637
Disposal	(1,767)	(51,623)	-	-	-	-	(53,390)
Net exchange difference	(16,389)	(11,984)	(853)	(1,092)	(4,578)	-	(34,896)
BALANCE on December 31, 2018	<u>\$ 867,098</u>	<u>\$ 613,698</u>	<u>\$ 46,511</u>	<u>\$ 60,893</u>	<u>\$ 232,496</u>	<u>\$ -</u>	<u>\$ 1,820,696</u>
Net amount, December 31, 2018	<u>\$ 1,366,275</u>	<u>\$ 334,820</u>	<u>\$ 10,294</u>	<u>\$ 40,345</u>	<u>\$ 79,254</u>	<u>\$ 2,562</u>	<u>\$ 1,833,550</u>

The depreciation expenses are amortized on a straight-line basis with the following useful lives:

Buildings	
main buildings at plants	Over 5 Years to 30 Years
other constructions	Over 3 Years to 20 Years
Machinery equipment	Over 1 Year to 13 Years
Electronic equipment	Over 1 Year to 10 Years
Transportation equipment	Over 2 Years to 10 Years
Other equipment	Over 2 Years to 12 Years

XII. Lease agreement

(I) Right-of-use assets-2019

	<u>December 31, 2019</u>
Book value of right-of-use assets	
Right-of-use land	\$297,450
Buildings	36,949
Electronic equipment	<u>5,542</u>
	<u>\$339,941</u>
	<u>2019</u>
Depreciation expense of right-of-use assets	
Right-of-use land	\$ 9,489
Buildings	7,458
Electronic equipment	<u>2,272</u>
	<u>\$ 19,219</u>

(II) Lease liabilities - 2019

	<u>December 31, 2019</u>
Book value of lease liabilities	
Current	<u>\$ 9,712</u>
Non-current	<u>\$ 33,937</u>

The discount rate range of lease liabilities is as follows :

	<u>December 31, 2019</u>
Buildings	3.57%
Electronic equipment	3.57%

(III) Material lease-in activities and terms

The Group also leases the use right of land and buildings as factory buildings, offices and exhibition centers. The lease period is expected to be 2-50 years.

The Group leases electronic equipment for daily operation for a period of 1-3 years, and there is no clause of renewal or offtake right in such lease agreement.

(IV) Other lease information

2019

	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 5,219</u>
Lease expenses of low value assets	<u>\$ 543</u>
Total cash (outflow) for leases	<u>(\$ 16,293)</u>

The Group decides to apply the exemption of recognition to the office equipment conforming to the short-term lease and several asset leases conforming to the low-value asset lease, not recognizing relevant right-of-use assets and lease liabilities.

The amount of short-term lease commitment applicable to the exemption on December 31, 2019 is \$143,000.

2018

The future minimum lease payments of non-cancellable operating lease commitments is as follows:

No more than 1 year	<u>December 31, 2018</u> <u>\$ 1,289</u>
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XIII. Other intangible assets

	<u>Computer software cost</u>	<u>Trademark right</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
BALANCE at January 1, 2018	\$ 33,050	\$ 6,821	\$ 1,082	\$ 40,953
Intangible assets acquired separately	669	-	-	669
Net exchange difference	(524)	198	(22)	(348)
BALANCE at December 31, 2018	<u>\$ 33,195</u>	<u>\$ 7,019</u>	<u>\$ 1,060</u>	<u>\$ 41,274</u>
<u>Accumulated</u>				
<u>Amortization and</u>				
<u>Impairment</u>				
BALANCE at January 1, 2018	\$ 12,688	\$ 2,700	\$ 202	\$ 15,590
Amortization expenses	3,368	686	233	4,287
Net exchange difference	(278)	94	(7)	(191)
BALANCE at December 31, 2018	<u>\$ 15,778</u>	<u>\$ 3,480</u>	<u>\$ 428</u>	<u>\$ 19,686</u>
Net amount, December 31, 2018	<u>\$ 17,417</u>	<u>\$ 3,539</u>	<u>\$ 632</u>	<u>\$ 21,588</u>
<u>Cost</u>				
BALANCE, January 1, 2019	\$ 33,195	\$ 7,019	\$ 1,060	\$ 41,274
Intangible assets acquired separately	2,410	-	676	3,086
Reclassification	3,096	-	-	3,096
Net exchange difference	(1,347)	(151)	(67)	(1,565)
BALANCE at December 31, 2019	<u>\$ 37,354</u>	<u>\$ 6,868</u>	<u>\$ 1,669</u>	<u>\$ 45,891</u>
<u>Accumulated</u>				
<u>Amortization and</u>				
<u>Impairment</u>				
BALANCE at January 1, 2019	\$ 15,778	\$ 3,480	\$ 428	\$ 19,686
Amortization expenses	3,811	701	104	4,616
Net exchange difference	(721)	(89)	(21)	(831)
BALANCE at December 31, 2019	<u>\$ 18,868</u>	<u>\$ 4,092</u>	<u>\$ 511</u>	<u>\$ 23,471</u>
Net amount, December 31, 2019	<u>\$ 18,486</u>	<u>\$ 2,776</u>	<u>\$ 1,158</u>	<u>\$ 22,420</u>

The amortization expenses are amortized on a straight-line basis over the following estimated useful lives:

Computer software cost	5 to 10 years
Trademark right	10 years

XIV. Pre-paid lease

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current (recognized as pre-payments)	\$ -	\$ 9,430
Noncurrent	<u>-</u>	<u>306,442</u>
	<u>\$ -</u>	<u>\$ 315,872</u>

As of December 31, 2019 and 2018, the land use rights for the prepaid lease payments in Mainland China were \$ 0 and \$156,469,000, respectively, and the land use rights in Vietnam were \$0 and \$159,403,000, respectively. Both the mainland subsidiary of the Group and the Vietnamese subsidiary have obtained the proof of the state-owned land use rights of the land.

XV. Other assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>current</u>		
Purchase taxes	\$ 61,599	\$ 208,853
Tax overpaid retained for offsetting the future tax payable	49,331	89,439
Pre-payments	<u>66,024</u>	<u>36,977</u>
	<u>\$ 176,954</u>	<u>\$ 335,269</u>
<u>Noncurrent</u>		
Pre-payments for equipment	\$ 3,009	\$ 5,296
Guarantee deposits	<u>871</u>	<u>128</u>
	<u>\$ 3,880</u>	<u>\$ 5,424</u>

The pre-payment is mainly related to the advance import tax, etc.

XVI. Borrowings

(I) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Non-guaranteed loans</u>		
Credit loans	<u>\$ 861,026</u>	<u>\$ 1,935,392</u>

The interest rates of bank revolving borrowings were 1.3%~3.87% and 1.3%~4.0% on December 31, 2019 and 2018, respectively.

(II) long-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>non-guaranteed loans</u>		
Credit loans	\$ 210,228	\$ 460,383
minus: matured within 1 year	(<u>210,228</u>)	(<u>138,115</u>)
long-term borrowings	<u>\$ -</u>	<u>\$ 322,268</u>

<u>non-guaranteed loans</u>	<u>Major clause</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
CTBC Bank	For long-term borrowings; the loan amount is US\$15 million, and interest is paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%.	\$ -	\$ 92,077
CTBC Bank	For long-term borrowings, the loan amount is US\$15 million, and interest is paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%.	-	61,384
CTBC Bank	For long-term borrowings, the loan amount is US\$10 million, and interest is paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.22%. Since March 2019, it is in every six-month term with a total of 4 re-payments of principal. The first three re-payments are US\$ 750,000 for each, and the final re-payment is US\$ 2,750,000.	105,114	153,461
CTBC Bank	For long-term borrowings, the loan amount is US\$10, million, and interest is paid monthly. The interest rate is adjusted every three months according to TAIFX's 3-month rate plus 0.8%. The current rate is 3.22%. Since March 2019, it is in every six-month term with a total of 4 re-payments of principal. The first three re-payments are US\$ 750,000 for each, and the final re-payment is US\$ 2,750,000.	\$ 105,114	\$ 153,461
minus: list as within 1 year matured part		(<u>210,228</u>)	(<u>138,115</u>)
		<u>\$ -</u>	<u>\$ 322,268</u>

XVII. Accounts payable

The Group to purchase raw materials from suppliers is 90 days and a financial risk management policy is in place to ensure that all payables are repaid within the pre-agreed credit period.

XVIII. Other liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Other payables		
Salaries and bonus payables	\$ 60,003	\$ 80,788

Commissions payables	43,546	63,988
equipment payables	9,755	54,393
freight payables	25,954	46,725
material consumption		
payables	7,757	23,267
insurance payables	7,499	12,305
paid leave payables	4,843	5,963
tax payables	7,665	9,493
Salaries and wages payables	2,123	623
Compensations and		
Remunerations of Directors'		
payables	796	-
Others	77,574	82,082
	<u>\$ 247,515</u>	<u>\$ 379,627</u>

XIX. Post-employment benefits plan

Defined contribution plans

The Company and CCITW company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company and domestic subsidiaries makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2019 and 2018 was \$1,007 thousand and \$1,039 thousand, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group's Yauchung Corp., Shanghai Keysheen, Shanghai Keysheen Leisure Products, Creative Creations Inc., Courtyard Creations International Limited, Courtyard Creations Inc., STH Company, CCIO Company and Keysheen Vietnam Ltd. have not yet established an employee retirement plan. Moreover, the local government does not have a forced retirement plan for employees. The IAS 19 "Employee Benefits" requirement is not yet applicable.

XX. Equity

(I) Share capital

Common shares

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>104,261</u>	<u>104,261</u>
Shares issued	<u>\$ 1,042,610</u>	<u>\$ 1,042,610</u>

The issued ordinary shares with a par value of \$10, each share has the right to vote and receive dividends.

(II) Capital surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to capital</u>		
The premium from shares issued	<u>\$ 2,113,900</u>	<u>\$ 2,113,900</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

(III) Earnings distribution and dividend policy

The Company's Articles of Incorporation provide that annual net income shall not distribute any dividend and bonus before deducting accumulated losses.

When the Company has no surplus, it shall not distribute any dividend and bonus. The Company may, by special resolution of type A or BT TYPE B when the total number of shares of the shareholders present does not meet the threshold of the special resolution of type A, issue part of all the dividends and bonuses distributable as new shares. The amount of which less than one share shall be distributed in cash.

If there is any profit at the end of the fiscal year (the so-called profit refers to the net profit before tax deducting the distribution of employee remuneration and the remuneration of directors and supervisors), the allocation ratio shall be as follows:

1. Not less than 0.10% of the net profit shall be allocated as employee's remuneration. Employee's remuneration may be paid in stock or cash, and may include the employees of the subordinate company who meet certain conditions.
2. Not more than 3.5% of the net profit shall be allocated as directors' and supervisors' remuneration, which shall be paid in cash only.

If the Company still has accumulated losses (including the adjustment of the amount of retained earnings), the amount shall be reserved in advance.

Items 1 and 2 above shall be resolved by the Board of Directors and reported to the shareholders' meeting.

If there is any net profit after tax at the end of the fiscal year, it shall be appropriated for any accumulated losses first, then appropriated for special surplus reserves at a certain proportion as required by regulations governing public stock companies or listing regulations applicable to authorities. If there are still remaining earnings, they may be

distributed by a special resolution of the regular shareholders' meeting, or by a special resolution of the Board of Directors for cash distribution.

Except for the resolutions of the Board of Directors and the Shareholders' Meeting, any remaining profits may be based on the Cayman Company Law and public offering law. After considering the financial, business and operational factors, the shareholders' income is not less than 20% of the current year's after-tax surplus as dividends or bonus. Please refer to Note 22(6) Employees' Compensation and Directors' Compensation for the remuneration of the staff and directors' remuneration distribution policies.

Shareholders' dividends and bonus are divided into two ways: stock dividends, which account for 0% to 50% of total dividends, and cash dividends, which account for 100% to 50% of total dividends.

The Company shall set aside and turn over the special surplus reserve in accordance with the provisions of Jin-Guan-Zheng-Shen-Zi No.1010012865 and Applicable Questions and Answers of Special Surplus Reserve in the Application of the International Financial Reporting Standards (IFRSs).

The shareholders' meeting approved the 2018 and 2017 appropriations of earnings and dividends per share on June 12, 2019 and May 29, 2018 as follows:

	Appropriations of earnings and dividends per share		Dividends Per Share(\$)	
	2018	2017	2018	2017
Special surplus reserve	\$ 32,457	\$ -	\$ -	\$ -
Cash dividends	-	\$ 36,491	-	\$ 0.35

The board of directors approved the 2019 appropriations of earnings and dividends per share on March 24, 2020 as follows:

	<u>2019</u>
Special surplus reserve	<u>\$ 170,305</u>
Cash dividends	<u>\$ 38,577</u>
Cash dividends per share (\$)	\$ 0.37

XXI. Revenue

(I) Description of the Contracts with Customers

Sales revenue comes from the sale of outdoor leisure furniture and rattan furniture.

	<u>2019</u>	<u>2018</u>
Revenue from Contracts with Customers		
Revenue from Sales	<u>\$ 4,637,001</u>	<u>\$6,152,017</u>

(II) Contract balance

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Account receivables (Note 8)	<u>\$ 1,014,008</u>	<u>\$ 2,125,863</u>	<u>\$ 1,327,645</u>
contract liabilities			
Contract liabilities- current	<u>\$ 7,526</u>	<u>\$ 6,335</u>	<u>\$ 5,343</u>

(III) Detail of revenue from contracts with customers

	<u>2019</u>	<u>2018</u>
outdoor furniture	<u>\$ 3,215,124</u>	<u>\$ 5,273,297</u>
rattan tables and chairs	<u>1,421,877</u>	<u>878,720</u>
Total	<u>\$4,637,001</u>	<u>\$6,152,017</u>

XXII. Net (loss) profit

(I) Other revenues

	<u>2019</u>	<u>2018</u>
interest revenue		
bank deposit	\$ 18,518	\$ 19,528
Subsidy income (Note 24)	15,773	38,677
Others	<u>7,967</u>	<u>17,414</u>
	<u>\$ 42,258</u>	<u>\$ 75,619</u>

(II) Other gains and losses

	<u>2019</u>	<u>2018</u>
Net profit (loss) in foreign currency exchange	\$ 48,986	(\$ 66,471)
Profit (loss) of financial assets and financial liabilities held for trading	(3,788)	(24,734)
Loss on disposal of real estate, plants and equipment	(71)	(565)
Others	<u>(5,034)</u>	<u>(2,835)</u>
	<u>\$ 40,093</u>	<u>(\$ 94,605)</u>

(III) Financing costs

	<u>2019</u>	<u>2018</u>
Interest of borrowings from banks	(\$32,908)	(\$ 41,820)
Interest of lease liabilities	<u>(1,628)</u>	<u>-</u>
	<u>(\$ 34,536)</u>	<u>(\$ 41,820)</u>

(IV) Depreciation and amortization

	<u>2019</u>	<u>2018</u>
Depreciation expenses		
aggregated by function		
Operating costs	\$ 120,654	\$ 104,076
Operating expenses	<u>117,726</u>	<u>100,561</u>
	<u>\$ 238,380</u>	<u>\$ 204,637</u>
Amortization expenses		
aggregated by function		
Operating costs	\$ 565	\$ 571
Operating expenses	<u>4,051</u>	<u>3,716</u>
	<u>\$ 4,616</u>	<u>\$ 4,287</u>

(V) Employee benefits expenses

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 874,598	\$ 1,015,148
Post-employment benefits		
(Note 19)		
Defined contribution plans	<u>1,007</u>	<u>1,039</u>
Total employee benefit		
expenses	<u>\$ 875,605</u>	<u>\$ 1,016,187</u>
Aggregated by function		
Operating costs	\$ 630,478	\$ 755,539
Operating expenses	<u>245,127</u>	<u>260,648</u>
	<u>\$ 875,605</u>	<u>\$ 1,016,187</u>

(VI) Employees' Compensation and Directors' Compensation

The Company's Articles of Incorporation provide that, if there is any profit at the end of the fiscal year (the so-called profit refers to the net profit before tax minus the distribution of employee compensation and the net profit before the director's compensation), the ratio should be as follows:

1. The Company allocates from its annual profit more than 0.10% as employees' compensation. When employees' compensation is delivered in stock, the employees of the subsidiaries company that meet certain criteria, can be allocated. The conditions for allocation must be determined by the board of directors.
2. It is not more than 3.5% as remuneration of directors and will be delivered entirely in cash. But if the Company has incurred cumulative losses (including adjusted retained earnings), the profit should be used instead to offset the losses.
3. Items 1 and 2 shall be decided by the board of directors and reported to the shareholders' meeting.

The board of directors approved the 2019 and 2018 appropriations for employees' compensation and directors' compensation on March 24, 2020 and March 13, 2019 as follows:

Estimated ratio

	<u>2019</u>	<u>2018</u>
Salaries and wages	4%	-
Directors' Compensation	1.5%	-

Amount

	<u>2019</u>	<u>2018</u>
	<u>Cash</u>	<u>Cash</u>
Salaries and wages	\$ 2,214	\$ -
Directors' Compensation	830	-

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates.

These amounts were the same as those recognized in the financial statements and delivered accordingly. The above approval employees' compensation and directors' compensation for 2018 and 2017 has been reported in each Consolidated Financial Statements.

The information on the proposed and approved compensations to employees and supervisor of 2019 & 2018 is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

(VII) profit(loss) in foreign currency exchange

	<u>2019</u>	<u>2018</u>
Total profit in foreign currency exchange	\$ 116,985	\$ 85,241
Total loss in foreign currency exchange	(<u>67,999</u>)	(<u>151,712</u>)
Net (loss) profit	<u>\$ 48,986</u>	<u>(\$ 66,471)</u>

XXIII. Income Tax

(I) The major components of income tax recognized in profit or loss

	<u>2019</u>	<u>2018</u>
Current tax		
Current period year	\$ 44,648	\$ 121,919
Adjustment of previous years	(<u>5,844</u>)	<u>-</u>
	<u>38,804</u>	<u>121,919</u>

	<u>2019</u>	<u>2018</u>
Deferred tax		
Current period year	12,121	(18,152)
Withholding tax of inward remittance of earnings	<u>11,051</u>	<u>20,443</u>
	<u>23,172</u>	<u>2,291</u>
Income tax recognized in profit or loss	<u>\$ 61,976</u>	<u>\$ 124,210</u>

A reconciliation of accounting profit and current income tax expenses is as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	<u>\$ 110,344</u>	<u>\$ 73,893</u>
Income before income tax based on the income of the country concerned		
Income tax expenses for the rate of the corporate surtax applicable	\$ 52,812	\$ 62,845
Fees that cannot be deducted from taxes	3,235	2,474
Deferred tax of subsidiary earnings	11,051	20,443
Unrecognized loss carryforwards	1,592	9,334
Unrecognized deductible temporary differences	(870)	29,114
Adjustment of current income tax expense of the previous year in the current year	(<u>5,844</u>)	<u>-</u>
Income tax recognized in profit or loss	<u>\$ 61,976</u>	<u>\$ 124,210</u>

According to the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In the Consolidated Financial Statements, only the CCIO's Taiwan branch CCITW company's in the Republic of China applies the aforementioned amendment bill. The tax rate applicable to subsidiaries in China is 25%; the tax rate applicable to subsidiaries in Vietnam is 20%.

The above-mentioned domestic tax rates applicable to the relevant countries' income are as follows. Shanghai Keysheen, Shanghai Keysheen Leisure Products Co., Ltd., and Creative Creations Inc. are subject to the "Enterprise Income Tax Law of the People's Republic of China", and the tax rate is 25%. According to local laws, Courtyard Creations International Limited has a tax rate of 16.5%. CCITW applies the Republic of China Income Tax Law with a tax rate of 20%. According to local laws, the Keysheen Vietnam Ltd. has a tax rate of 20% and enjoys a two-to-four-half tax rate reduction since its

establishment. The company, Courtyard Creations Inc., Yauchung Corp., CCIO Company, and STH Company of the group are entitled to tax rates in accordance with local laws due to registration in tax-free countries.

(II) Current tax assets and liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current tax assets		
Income tax refund receivable	<u>\$ 14,857</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 9,710</u>	<u>\$ 40,965</u>

(III) Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

2019

	Beginning balance	Recognized in profit or loss	Current dividends Tax of Inward Remittance	Exchange difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss	<u>\$ 8,135</u>	<u>(\$ 232)</u>	<u>\$ -</u>	<u>(\$ 294)</u>	<u>\$ 7,609</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Associates	\$ 113,218	\$ 11,889	\$ -	(\$ 4,718)	\$ 120,389
Withholding tax of Inward Remittance of Earnings	<u>20,124</u>	<u>11,051</u>	<u>(23,121)</u>	<u>(255)</u>	<u>7,799</u>
	<u>\$ 133,342</u>	<u>\$ 22,940</u>	<u>(\$ 23,121)</u>	<u>(\$ 4,973)</u>	<u>\$ 128,188</u>

2018

	Beginning balance	Recognized in profit or loss	Current dividends Tax of Inward Remittance	Exchange difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Associates	\$ 116	(\$ 116)	\$ -	\$ -	\$ -
Allowance for loss	<u>6,626</u>	<u>1,548</u>	<u>-</u>	<u>(39)</u>	<u>8,135</u>
	<u>\$ 6,742</u>	<u>\$ 1,432</u>	<u>\$ -</u>	<u>(\$ 39)</u>	<u>\$ 8,135</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Associates	\$ 132,374	(\$ 16,720)	\$ -	(\$ 2,436)	\$ 113,218
Withholding tax of inward remittance of earnings	<u>28,234</u>	<u>20,443</u>	<u>(28,234)</u>	<u>(319)</u>	<u>20,124</u>
	<u>\$ 160,608</u>	<u>\$ 3,723</u>	<u>(\$ 28,234)</u>	<u>(\$ 2,755)</u>	<u>\$ 133,342</u>

- (IV) The unused loss carryforwards of unrecognized deferred tax assets in the consolidated balance sheets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
loss carryforwards		
Expired in 2023	\$ 101,039	\$ 101,039
Expires in 2027	1,088	1,088
Expires in 2029	<u>6,612</u>	<u>-</u>
	<u>\$ 108,739</u>	<u>\$ 102,127</u>

- (V) The status of examined income tax returns

The income tax returns of CCIO's Taiwan branch CCITW company's through 2017 have been examined by the tax authorities.

XXIV. Government grants

Shanghai Keysheen of the Group obtained various subsidies amounting to RMB 3,513,000 from the Shanghai government in 2019. The Group recognizes the net government subsidy income NTD 15,773,000 in 2019.

Shanghai Keysheen of the Group signed the “Shanghai Municipality Compensation Agreement for Non-residential Land Acquisition of State-owned Land” with the Xianghuaqiao Sub-district Office of Qingpu District People's Government in June 2018 for cooperation with the government's construction plan. The scope of subsidy includes building and construction, relocation of non-removable equipment and other relocation equipment and relocation compensation, etc. The total compensation amount is RMB 7,292,000. The Group recognizes the net government subsidy income NTD\$31,642,000 in 2018.

XXV. Earnings (Deficit) per share

	Unit:Dollars Per Share	
	<u>2019</u>	<u>2018</u>
Basic earnings (deficit) per share	<u>\$ 0.46</u>	<u>(\$ 0.48)</u>
Diluted earnings (deficit) per share	<u>\$ 0.46</u>	<u>(\$ 0.48)</u>

The weighted-average number of common shares outstanding in the computation of earnings (deficit) per share is as follows:

Net profit (loss)

	<u>2019</u>	<u>2018</u>
Net profit(loss) attributed to Stockholders of the Company	<u>\$ 48,368</u>	<u>(\$ 50,317)</u>

<u>Shares</u>	Unit: thousand shares	
	<u>2019</u>	<u>2018</u>
The weighted-average number of common shares outstanding in computation of basic earnings (deficit) per share	104,261	104,261
Effect of potentially dilutive common shares:		
Salaries and wages	<u>46</u>	<u>-</u>
The weighted-average number of common shares outstanding in computation of diluted earnings (deficit) per share	<u>104,307</u>	<u>104,261</u>

If the Group decides to give an employee bonus in the form of cash or shares, the Group should presume that the entire amount of the bonus will be in the form of shares and if the resulting potential shares have a dilutive effect, these shares should be included in the weighted-average number of shares outstanding to be used in the calculation of diluted earnings per share. The dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the board of directors resolve at their meeting in the following year the number of shares to be distributed to employees.

XXVI. Non-cash transaction

The Group has invested and raised funds for the following non-cash transactions in 2019 and 2018:

- (I) On December 31, 2019, the Group transferred \$4,349,000 and \$3,096,000 prepayments to real estate, plants, equipment and other intangible assets (Please refer to Notes 11 and 13).
- (II) The Group acquired real estate, plants, and equipment at fair value of \$18,973,000 in 2019. The amount of equipment payable reduced by \$44,638,000, and the total amount of cash paid for real estate, plants, and equipment was \$63,611,000 (Please refer to Note 11).
- (III) On December 31, 2018, the Group transferred \$21,295,000 prepayment to real estate, plants and equipment (Please refer to Note 11).
- (IV) The Group acquired real estate, plants, and equipment with at fair value of \$247,687,000 in 2018. The amount of equipment payable increased by \$32,705,000, and the total amount of cash paid for real estate, plants and equipment was \$214,982,000 (Please refer to Note 11).

XXVII. Capital risk management

The Group conducts capital management to ensure that all companies within the group can be raised before continuing operations, by maximizing the balance of debt and equity to maximize shareholder compensation.

The Group capital structure consists of the net debt of the Group (i.e., borrowings minus cash and cash equivalents) and equity (i.e. equity, capital surplus, retained earnings, and other equity items).

The Group is not subject to other external capital requirements.

The major management of the Group examines the capital structure of the group on a quarterly basis. The review includes consideration of the cost of various types of capital and related risks. Based on the recommendations of the major management, the Group will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debts or repaying old debts.

XXVIII. Financial instruments

- (I) Fair value information of financial instruments- financial instruments not carried at fair value

The management of the company believes that the carrying amount of financial assets and financial liabilities that are not carried at fair value is expected to be close to their fair value.

- (II) Fair value information of financial instruments- financial instruments carried at fair value on repetitive basis

1. Fair value level

December 31, 2019

	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>Total</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative Financial Instruments	\$ -	\$ 3,712	\$ -	\$ 3,712

December 31, 2018

	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Derivative Financial Instruments	\$ -	\$ 25,315	\$ -	\$ 25,315

In 2019 and 2018, there is no transfer between level 1 and level 2 of fair value measurement.

2. Evaluation techniques and inputs for the Level 2 of fair value measurement

<u>Financial Instruments category</u>	<u>Evaluation techniques and inputs</u>
The derivative financial instruments- forward contracts	The discounted cash flow method: the future cash flows are estimated at the observable forward exchange rate and the exchange rate stipulated at the end of the period, and discounted at a discount rate that reflects the credit risk of each counterparty.

(III) type of financial instruments

<u>Financial assets</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets measured at amortized cost assets (Note 1)	\$ 2,610,568	\$ 3,702,168
<u>Financial liabilities</u>		
at fair value through profit or loss		
Held-for-trading	3,712	25,315
Measured at amortized cost (Note 2)	1,815,409	3,619,716

Note1: Balance including cash and cash equivalents, account receivables, other receivables, and guarantee deposits, which are financial assets measured at amortized cost

Note 2: Balance including short-term borrowings, accounts payable, other payable, long-term borrowings, and guarantee deposits received, which are financial liabilities measured at amortized cost

(IV) The financial risk management purpose and policies

Market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk faced by the Group's operating activities. The Board of Directors manages the overall risk and aims to minimize the potential adverse effects of the Group's financial performance.

1. Market risks

The main financial risk of the Group is the foreign currency exchange rate risk (see (1) below) and the risk of interest rate changes (see (2) below). The Group is engaged in various derivative financial instruments to manage the foreign currency exchange rate and interest rate risk, including avoiding exchange rate risks arising from the export of outdoor leisure furniture with forward contracts.

There is no change in the market risk related to financial instruments and the management and measurement of such risks for the Group.

(1) Exchange rate risks

The Group engages in forward contracts, which is the exchange rate risk of circumventing foreign currency assets, liabilities or foreign currency commitments. As the gains and losses arising from exchange rate changes are roughly offset by the profits and losses of the hedged items, the market price risk is not significant.

There is no change in the market risk related to financial instruments and the management and measurement of such risks for the Group.

The carrying amount of monetary assets and monetary liabilities denominated in the non-functional currency at the end of each reporting period and the carrying amount of derivatives with exchange rate risk insurance are referred to Note 34.

The main exposure of currency for the Group is US dollar, and the sensitivity analysis of the appreciation of the US dollar against the RMB and the VND and the depreciation of 1% is used as the risk of reporting the exchange rate changes to the major internal management.

Sensitivity analysis is a combination of specific foreign currency holdings held by the Group and affected by a 1% fluctuation in the foreign currency exchange rate at the end of the year. The following summary table represents the amount of net profit before tax for the current year when the US dollar appreciates, if other conditions remain unchanged.

	<u>influence of RMB to USD</u>		<u>influence of USD to RMB</u>		<u>influence of USD to VND</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Effect of profit loss changes (before tax)	<u>(\$ 4,402)</u>	<u>(\$ 2,259)</u>	<u>\$ 1,581</u>	<u>\$ 919</u>	<u>(\$ 7,794)</u>	<u>(\$ 7,931)</u>

(2) Interest rate risk

The Group holds bank deposits and borrowings, and the Group's revenue and operating cash flows are not subject to changes in market interest rates due to fluctuations in deposit and borrowing rates.

The carrying amounts of the financial assets and financial liabilities of the Group subject to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
With cash flow interest rate risk		
-Financial assets	\$ 1,591,470	\$ 1,562,780
-Financial liabilities	1,071,254	2,395,775

The following sensitivity analysis is based on the interest rate risk of non-derivatives financial instruments at the end of the financial reporting period. The Group increased or decreased by 0.5% as a reasonable risk assessment to report changes in interest rates to management. Profit before tax

If the other conditions remain unchanged and the interest capitalization factor is not taken into account, the interest rate increased by 0.5%, and the pre-tax net profit for the Group in 2019 and 2018 will be reduced by \$2,601,000 and reduced by \$4,165,000 respectively.

2. Credit risk

Credit risk refers to the risk that the counterparty defaults on the contractual obligations and causes financial loss to the Group. As of the balance sheet date, the maximum credit risk of financial losses caused by the Group's unfulfilled obligations and the financial guarantees provided by the Group is mainly due to the carrying amount of financial assets recognized in the consolidated balance sheet.

Except for the Group's largest customer, Company A, the Group does not have a significant credit risk for any single counterparty or any group of counterparties with similar characteristics. Among the accounts receivable balances as of December 31, 2019 and 2018, the amounts to Company A were \$278,208,000 and \$652,469,000 respectively.

In addition, because the counterparties of current assets and derivative financial instruments are banks that are highly credit rated by international credit rating agencies, the credit risk is not high.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group supervises the use of bank financing quotas and ensures compliance with the terms of the loan contract.

Borrowings from bank is an important source of liquidity for the Group. As of December 31, 2019 and 2018, the available bank credit lines of the Group were \$2,903,159,000 and \$1,554,597,000, respectively.

The table below is the details of the liquidity analysis of group for derivative financial instruments, and the derivatives for gross settlement are based on undiscounted total cash inflows and outflows. When the payables or receivables is not fixed, the amount disclosed is determined based on the estimated interest rate estimated by the daily balance sheet curve.

December 31, 2019

	Payment on sight or Within one month	1 month to 3 months	3 months to 12 months	Over 1 year	Total
<u>Gross settlement</u>					
Forward contracts					
-Inflow	\$ 179,128	\$ 252,503	\$ 44,758	\$ -	\$ 476,389
-Outflow	(179,892)	(255,135)	(45,074)	-	(480,101)
	<u>(\$ 764)</u>	<u>(\$ 2,632)</u>	<u>(\$ 316)</u>	<u>\$ -</u>	<u>(\$ 3,712)</u>

December 31, 2018

	Payment on sight or Within one month	1 month to 3 months	3 months to 12 months	Over 1 year	Total
<u>Gross settlement</u>					
Forward contracts					
-Inflow	\$ 297,794	\$ 447,712	\$ 90,058	\$ -	\$ 835,564
-Outflow	(307,338)	(461,359)	(92,182)	-	(860,879)
	<u>(\$ 9,544)</u>	<u>(\$ 13,647)</u>	<u>(\$ 2,124)</u>	<u>\$ -</u>	<u>(\$ 25,315)</u>

XXIX. Related-Party Transactions

All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation, which were not disclosed at the note. Related parties and their relationships with the Group

(I) Related Party and the Relationship with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
LIU CHUNG-HSIN	key management personnel

(II) Lease agreement

Acquisition of right-of-use assets

<u>Recognition item</u>	<u>Related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
lease liabilities	LIU CHUNG-HSIN	<u>\$ 32,425</u>	<u>\$ -</u>

<u>Type of related party/name</u>	<u>2019</u>	<u>2018</u>
<u>interest expense</u>		
LIU CHUNG-HSIN	<u>\$ 1,202</u>	<u>\$ -</u>
<u>lease expense</u>		
LIU CHUNG-HSIN	<u>\$ -</u>	<u>\$ 4,200</u>

		<u>2019</u>	<u>Rent calculation / payment type</u>	<u>Rent expenditure</u>
<u>Lessor</u>	<u>Lease target</u>	<u>Lease Term</u>		
LIU CHUNG-HSIN	Office at Floor 16 No.95 MingChen Road, ShinDen District, New Taipei City	2019.1.1~ 2019.12.31	The rent is 350,000 per month and is due before the 10th of each month.	\$ 4,200

2018

<u>Lessor</u>	<u>Lease target</u>	<u>Lease Term</u>	<u>Rent calculation / payment type</u>	<u>Rent expenditure</u>
LIU CHUNG- HSIN	Office at Floor 16 No.95 MingChen Road, ShinDen District, New Taipei City	2018.1.1 ~ 2018.12.31	The rent is 350,000 per month and is due before the 10th of each month.	\$ 4,200

(III) Endorsement or guarantee

Endorsement or guarantee provided, please refer to TABLE 2

(IV) Compensation of key management personnel

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 29,731	\$ 22,152
Retirement benefits	<u>122</u>	<u>174</u>
	<u>\$ 29,853</u>	<u>\$ 22,326</u>

The compensation of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

XXX. Pledged or mortgaged assets: none.

XXXI. Material contingent liabilities and unrecognized contractual commitments:

In addition to those disclosed in other notes, significant unrecognized commitments of the Group are as follows:

Significant commitments

Significant unrecognized commitments of the Group are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of real estates, plants, and equipment	<u>\$ 640,490</u>	<u>\$ 24,540</u>

XXXII. Losses due to major disasters: none.

XXXIII. Significant subsequent events: none.

XXXIV. Information of foreign currency assets and liabilities with significant influences

The following information is aggregated in foreign currencies other than the functional currency of the Group. The exchange rate disclosed is the exchange rate of the foreign currency into the functional currency. foreign currency assets and liabilities with significant influences are as follows:

(In dollars of foreign currencies / Unit: In Thousands of New Taiwan Dollars)

December 31, 2019

	Foreign currency	Exchange rate	The carrying amounts
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 5,376,572	6.9762 (USD:RMB)	\$ 161,472
RMB	20,279,447	0.14 (RMB:USD)	87,276
USD	1,021,031	23,256 (USD:VND)	30,664
USD	23,225,305	30.03 (USD:NTD)	697,515
			<u>\$ 976,927</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	112,158	6.9762 (USD:RMB)	\$ 3,374
RMB	122,559,402	0.14 (RMB:USD)	527,454
USD	29,240,370	23,256 (USD:VND)	810,073
USD	757,476	30.03 (USD:NTD)	23,635
			<u>\$ 1,364,536</u>

December 31, 2018

	Foreign currency	Exchange rate	The carrying amounts
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 3,250,527	6.86 (USD:RMB)	\$ 99,766
RMB	50,522,082	0.15 (RMB:USD)	225,928
USD	1,402,046	23,256 (USD:VND)	43,032
USD	15,367,572	30.77 (USD:NTD)	472,015
			<u>\$ 840,741</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	255,312	6.86 (USD:RMB)	\$ 7,900
USD	27,246,801	23,256 (USD:VND)	836,123
USD	45,470	30.77 (USD:NTD)	13,959
			<u>\$ 857,982</u>

The foreign currency exchange gains and losses (realized and unrealized) of the Group in the years of 2019 and 2018 are \$48,986,000 and (\$66,471,000). Due to the variety of functional currencies of foreign currency transactions and the group members, it is impossible to disclose the exchange gains and losses with significant influences.

XXXV. Additional Disclosures

- (I) Information on significant transactions and (II) Information on investees:
1. Financing provided (TABLE 1)
 2. Endorsement/guarantee provided (TABLE 2)
 3. Shareholding at the end of the period (excluding investment subsidiaries, affiliates, and joint venture control) (none)
 4. Marketable securities acquired and disposed of, at costs or prices of at least \$300 million or 20% of the paid-in capital. (none)
 5. Acquisition of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (TABLE 3)
 6. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (none)
 7. Sales and purchasing goods with related parties of at least \$100 million or 20% of the paid-in capital. (TABLE 4)
 8. Account receivables with related parties of at least \$100 million or 20% of the paid-in capital. (TABLE 5)
 9. Proceed derivative financial instruments transaction. (Notes 7 and 28)
 10. Others: related party transactions and amount. (TABLE 6)
 11. Investee company information (TABLE 7)
- (III) Information on investments in Mainland China
1. Investee in China, main businesses and products, total amount of paid-in capital, method of investment, investment flows, percentage of ownership, equity in the earnings(losses), carrying amount of the investment at the end of the period, accumulated inward remittance of earnings, and limit on investment. (TABLE 8)
 2. The following major transactions with the mainland investee company directly or indirectly through the third region, and their prices, payment terms, unrealized gains and losses: (TABLE 8)
 - (1) Ending balance and percentage of purchases and percentages and related payables
 - (2) Ending balance of and percentage of the sales amount and the related receivables.
 - (3) The amount of the property transaction and the amount of profit or loss it generates.
 - (4) Ending balance of endorsement, guarantee, or provision of the collateral and its purpose

(5) The highest balance, ending balance, interest rate range and total interest for the current period.

(6) Other transactions that have a significant impact on the current profit/loss or financial position, such as the provision or receipt of services.

XXXVI . Segment Information

Information provided to key operational decision makers to allocate resources and assess departmental performance, focusing on the types of products or services that are delivered or provided. The Group operating segments report the following:

Department of outdoor furniture: is the production of various types of outdoor steel furniture and home textiles.

Department of rattan tables and chairs: is the production of outdoor metal and artificial plastic rattan tables and chairs and equipment.

(I) Segment revenue and operating results

The Group's segment revenue and operating results are shown as follows:

	Segment revenue		Segment income (loss)	
	2019	2018	2019	2018
Department of outdoor furniture	\$ 3,871,756	\$ 5,835,581	\$ 121,745	\$ 330,107
Department of rattan tables and chairs	1,421,877	878,720	26,781	(125,704)
Adjustment eliminated amount	(<u>656,632</u>)	(<u>562,284</u>)	(<u>49,371</u>)	(<u>48,136</u>)
Sub-total	<u>\$ 4,637,001</u>	<u>\$ 6,152,017</u>	<u>\$ 99,155</u>	<u>\$ 156,267</u>
Inseparable management expenses			(\$ 36,626)	(\$ 21,568)
Net profit (loss) in foreign currency exchange			48,986	(66,471)
Interest revenue			18,518	19,528
Subsidy income			15,773	38,677
Other revenues			7,967	17,414
Disposal of real estate, plants, and equipment Loss			(71)	(565)
Financial instruments valuation losses			(3,788)	(24,734)
Financing costs			(34,536)	(41,820)
Other expenditures			(<u>5,034</u>)	(<u>2,835</u>)
Profit before tax			<u>\$ 110,344</u>	<u>\$ 73,893</u>

Inter-department sales are based on market prices

Departmental interest refers to the profit earned by each department, excluding: rent revenue, interest revenue, loss on disposal of real estate, plants, and equipment, net profit(loss) in foreign currency exchange, profit(loss) in financial instruments valuation, financing costs, other expenditures, and tax expenses. This measure is provided to the chief operating decision maker to allocate resources to the department and to measure its performance.

(II) Total assets of the department

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Assets of the department</u>		
Department of outdoor furniture	\$ 3,389,398	\$ 5,541,336
Department of rattan tables and chairs	<u>2,591,789</u>	<u>2,285,868</u>
Total assets	<u>\$ 5,981,187</u>	<u>\$ 7,827,204</u>

(III) Segmented by region

The income of the Group from external customers is classified according to the country where the customer is located and the non-current assets are classified according to the location of the assets as follows:

	<u>Revenue from external customers</u>		<u>Noncurrent assets</u>	
	2019	2018	December 31, 2019	December 31, 2018
America	\$ 4,279,496	\$ 5,602,087	\$ -	\$ -
Europe	262,155	367,282	-	-
Oceania	86,479	154,740	-	-
Africa	5,380	7,556	-	-
Asia	3,491	20,352	1,932,459	2,155,017
Others	-	-	<u>22,908</u>	<u>11,987</u>
	<u>\$ 4,637,001</u>	<u>\$ 6,152,017</u>	<u>\$ 1,955,367</u>	<u>\$ 2,167,004</u>

Non-current assets do not include assets classified as deferred tax asset.

(IV) Major customer information

The income from a single customer is more than 10% of the total revenue of the Group as follows:

<u>Customer</u>	<u>2019</u>	<u>2018</u>
Customer A	\$ 1,400,307	\$ 1,934,970
Customer B	527,162	682,592
Customer C	<u>461,994</u>	<u>369,226</u>
	<u>\$ 2,389,463</u>	<u>\$ 2,986,788</u>

Keysheen (Cayman) Holdings Co., Limited and subsidiaries

Financing Provided

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 1

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Number (No.1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Amount Limit (Note 2)	Note
													Name	Value			
1	Sinture Holding Ltd	Keysheen Vietnam Ltd.	Other receivables	Yes	\$ 149,900 (USD 5,000,000)	\$ - (USD -)	\$ - (USD -)	2.5%	Short-term financing needs	\$ -	Operating use	\$ -	-	\$ -	\$ 176,780 (1)	\$ 176,780 (1)	
2	Courtyard Creations Inc	Keysheen Vietnam Ltd.	Other receivables	Yes	483,583 (USD 16,130,175)	356,846 (USD 11,902,786)	356,846 (USD 11,902,786)	0~2.5%	Short-term financing needs	-	Operating use	-	-	-	554,117 (2)	554,117 (2)	
3	Yauchung Investment Corp.	Courtyard Creations Inc.	Other receivables	Yes	140,930 (USD 3,500,000)	- (USD -)	- (USD -)	-	Short-term financing needs	-	Operating use	-	-	-	3,692,509 (3)	3,692,509 (3)	
3	Yauchung Investment Corp.	Sinture Holding Ltd.	Other receivables	Yes	254,830 (USD 8,500,000)	179,880 (USD 6,000,000)	104,930 (USD 3,500,000)	-	Short-term financing needs	-	Operating use	-	-	-	3,692,509 (3)	3,692,509 (3)	
3	Yauchung Investment Corp.	Creative Courtyards International Ltd.	Other receivables	Yes	599,600 (USD 20,000,000)	599,600 (USD 20,000,000)	479,680 (USD 16,000,000)	-	Short-term financing needs	-	Operating use	-	-	-	3,692,509 (3)	3,692,509 (3)	

Calculated according to the Regulations Governing Lending Limits of Financier is as follows:

Note 1: The description of the number column is as follows:

- (1) Issuer fills 0.
- (2) The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: Calculated according to the Regulations Governing Lending Limits of Financier is as follows:

- (1) Individual target lending limits = 100% of net value of Sinture Holding Ltd. = $176,780 \times 100\% = 176,780$
Total lending limits = 100% of net value of Sinture Holding Ltd. = $176,780 \times 100\% = 176,780$
- (2) Individual target lending limits = 100% of net value of Courtyard Creations Inc. = $554,117 \times 100\% = 554,117$
Total lending limits = 100% of net value of Courtyard Creations Inc. = $554,117 \times 100\% = 554,117$
- (3) Individual target lending limits = 100% of net value of Yauchung Investment Corp. = $3,692,509 \times 100\% = 3,692,509$
Total lending limits = 100% of net value of Yauchung Investment Corp. = $3,692,509 \times 100\% = 3,692,509$

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Endorsement/guarantee provided
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 2

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Number	Endorsement / Guarantee Provider	Counterparty		Individual Limits on Endorsement / Guarantee	Maximum Balance for the year on Endorsement / Guarantee	Ending Balance of the year on Endorsement / Guarantee	Amount Actually Drawn	Collateralized by Properties Endorsement / Guarantee Amount	Ratio of Accumulated Amount of Endorsement / Guarantee to Net Asset Value of the Latest Financial Statement (%)	Maximum Endorsement / Guarantee Amounts Allowable	Parent company to subsidiary maximum endorsement / guarantee amounts allowable	Subsidiary to parent company maximum endorsement / guarantee amounts allowable	Endorsement / Guarantee for parties in mainland China	Note
		Provider	Nature of Relationship											
0	Keysheen (Cayman) Holdings Co., Ltd.	Courtyard Creations Inc.	The parent company and the subsidiary company hold more than 50% of the invested company	\$ 11,718,105	\$ 2,053,630 (USD 68,500,000)	\$ 1,469,020 (USD 49,000,000)	\$ 179,880 (USD 6,000,000)	\$ -	38%	\$ 11,718,105	Y	N	N	
0	Keysheen (Cayman) Holdings Co., Ltd.	Sinture Holding Ltd.	Subsidiaries that directly hold more than 50% of common stocks.	11,718,105	599,600 (USD 20,000,000)	- (USD -)	- (USD -)	-	-	11,718,105	Y	N	N	
0	Keysheen (Cayman) Holdings Co., Ltd.	Creative Courtyards International Ltd.	The parent company and the subsidiary company hold more than 50% of the invested company	11,718,105	1,858,760 (USD 62,000,000)	1,858,760 (USD 62,000,000)	889,500 (USD 25,000,000 NTD 140,000)	-	48%	11,718,105	Y	N	N	

Note 1: The description of the number column is as follows:

(1) Issuer fills 0.

(2) The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: The amount of endorsement or guarantee is 300% of the worth of the subsidiaries of the Group, which is held by 100% owned company stated in the annual consolidated financial statements audited by independent auditors during the period.

According to the above regulations, the maximum limit for endorsement of companies with 100% of the voting shares held by the Company on December 31, 2019 is net value of 3,906,035,000 × 300% = 11,718,105,000; the limit for endorsement of single enterprise is net value of 3,906,035,000 × 300% = 11,718,105,000.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Acquisition of individual real estate at prices of at least \$300 million or 20% of the paid-in capital.
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 3

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Acquisition of the company individual real estate	Property name	Date of occurrence (Note 3)	Transaction amount	Payment situation	Counterparty	Nature of Relationship	The counterparty of the transaction is related parties, the previous transfer data				Reference basis for price decision	Achieving purpose and use situation	Other appointments
							Owner	With the issuer relationship	Transferring date	Amount			
Keysheen Vietnam Ltd.	Property, equipment, and plants	January 2016 to December 2019	\$ 641,065 (VND 495,530,033,709 USD 37,970)	\$ 643,138 (VND 492,473,263,870 USD 37,970)	CHIEN HUONG BUILDING AND TRADING ., JSC	None	—	—	—	\$ -	Note 1	Owner occupied	—

Note 1: The price decision is based on the local market price and is negotiated after the bargain.

Note 2: The paid-in capital amount refers to the amount of paid-in capital of the parent company. If the issuer's stock has no denomination or the denomination is not \$10, the transaction amount of 20% of the paid-in capital shall be calculated based on 10% of the equity of the owner of the parent company.

Note 3: The date of occurrence refers to the date of the transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date, or other date on which the transaction object and transaction amount are fully determined.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Sales and purchasing goods with related parties of at least \$100 million or 20% of the paid-in capital.
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 4

Unit: In Thousands of New Taiwan Dollars

Sales and purchasing goods company	Counterparty name	Nature of relationship	The status of transaction				Transaction terms are different from general ones Situations and reason		Notes, accounts receivable (payables)		Note
			Sales and purchasing goods	Amount	Ratio of total sales and purchasing goods	Credit period	Unit price	Credit period	Balance	Ratio of total note, accounts receivable (payables)	
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations Inc.	Same affiliate	Sales	\$ 2,891,791	99.96%	The advance receipts is 30%, the remaining 70% is in a 30-day term.	According to the Company's transfer pricing policy system	—	Accounts receivable \$ 527,454	99.90%	
Keysheen Vietnam Ltd.	Creative Courtyards International Ltd.	Same affiliate	Sales	\$ 1,330,854	100%	270 days	According to the Company's transfer pricing policy system	—	-	-	
Courtyard Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Sales	\$ 408,167	11.04%	270 days	According to the Company's transfer pricing policy system	—	Accounts receivable 346,105	45.19%	
									Other receivables 367,392	100%	
Creative Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Sales	\$247,280	100%	95days	According to the Company's transfer pricing policy system	—	Accounts receivable 91,631	100%	

Note: The above transactions with related parties have been written off in the consolidated report.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Account receivables with related parties of at least \$100 million or 20% of the paid-in capital.
December 31, 2019

TABLE 5

Unit: In Thousands of New Taiwan Dollars

Company name of receivables from related parties	Counterparty name	Nature of relationship	Balance of accounts receivable with related parties Ending	Turnover rate	Overdue		Amounts of accounts receivable with related parties received in subsequent period	Allowance for bad debt
					Amount	Action taken		
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations Inc.	Same affiliate	Accounts receivable \$ 527,454	4.60	\$ -	-	\$ -	\$ -
Courtyard Creations Inc.	Keysheen Vietnam Ltd.	Same affiliate	Accounts receivable 346,105	1.13	-	-	-	-
			Other receivables 367,392	Note 1	-	-	-	-
Yauchung Investment Corp.	Creative Courtyards International Ltd.	Same affiliate	Other receivables 479,680	Note 1	-	-	-	-
Yauchung Investment Corp.	Sinture Holding Ltd	Related party	Other receivables 104,930	Note 1	-	-	-	-

Note 1: This is the nature of the loan, so it is not applicable to calculate the turnover rate. Please refer to TABLE 1.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
 Related-party transactions and amount
 FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 6

Unit: In Thousands of New Taiwan Dollars

Number (Note 1)	Transaction Company	Counterparty	Nature of Relationshiprelationship (Note 2)	Description of Transactions			
				Financial statement account	Amount	Transaction item	Percentage of consolidated net revenue /assets (Note 3)
1	Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations Inc.	1	Service revenues	\$ 49,819	General terms	1%
	"	"	1	Sales revenues	2,891,791	General terms	62%
	"	"	1	Accounts receivable	527,454	General terms	9%
2	Courtyard Creations Inc.	Keysheen Vietnam Ltd.	3	Accounts receivable	346,105	General terms	6%
	"	"	3	Other receivables	367,392	Interest rate 2.5%	6%
	"	"	3	Sales revenues	408,167	General terms	9%
3	Keysheen Vietnam Ltd.	Creative Courtyards International Ltd.	3	Sales revenues	1,330,854	General terms	29%
	"	"	3	Advance sales receipts	628,464	General terms	11%
4	Creative Creations Inc.	Keysheen Vietnam Ltd.	3	Sales revenues	247,280	General terms	5%
	"	"	3	Accounts receivable	91,631	General terms	2%
5	Yauchung Investment Corp.	Creative Courtyards International Ltd.	1	Other receivables	479,680	General terms	8%
	"	Sinture Holding Ltd.	3	Other receivables	104,930	General terms	2%

Note 1: The business transactions between the parent company and the subsidiaries will be indicated in the number column, respectively:

- (1) Parent company fills 0.
- (2) The subsidiary is numbered sequentially by the Arabic number 1 according to the company.

Note 2: There are three types of relationships with counterparties. (If the same transaction is between the parent company or each subsidiary, there is no need to disclose repeatedly. Such as: the parent company's transaction to the subsidiary, if the parent company has disclosed, then the subsidiary part does not need to be disclosed repeatedly. For transactions between subsidiaries, if a party has disclosed, another subsidiary does not need to disclose it repeatedly.):

- (1) From parent company to subsidiary
- (2) From subsidiary to parent company
- (3) Subsidiary to subsidiary

Note 3: In the computation of percentage of revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be the balance dividing the consolidated assets; if the amount is income or expense, the accounts percentage will be the amount dividing by the consolidated net revenues in the same year.

Note 4: The significant transactions of this form may be determined by the company according to the principle of materiality.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries
Investee information, the location, etc.
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 7

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

Investor	Investee name	Location	Principal business activities	Original investment amount		Shareholding at the end of the period			Investee profit or loss for the period (Note 1)	Recognized investment gain or loss for the period	Note
				Ending of this term	End of last year	Share	Ratio	The carrying amounts			
Keysheen (Cayman) Holdings, Co., Ltd.	Yauchung Investment Corp.	Samoa	Investment	\$ 1,537,749	\$ 1,537,749	37,000,000	100	\$ 3,622,525	\$ 139,028 (RMB 30,965,818)	\$ 89,724 (RMB 19,984,344)	Notes 2, 3
	Sinture Holding Ltd.	Samoa	Investment	599,600 (USD 20,000,000)	599,600 (USD 20,000,000)	20,000,000	100	176,780	(7,058) (USD 228,002)	(7,058) (USD 228,002)	
Keysheen Industry (Shanghai) Co., Ltd.	Courtyard Creations International Limited	Hong Kong	Investment	29,980 (USD 1,000,000)	29,980 (USD 1,000,000)	1,000,000	100	554,417	80,219 (USD 2,591,416)	80,219 (USD 2,591,416)	
Courtyard Creations International Limited	Courtyard Creations Inc.	Mauritius	Sales of various types of outdoor furniture	29,980 (USD 1,000,000)	29,980 (USD 1,000,000)	1,000,000	100	554,417	80,251 (USD 2,592,425)	80,251 (USD 2,592,425)	
Sinture Holding Ltd.	Keysheen Vietnam Ltd.	Vietnam	Production of metal and artificial plastic rattan tables and chairs and equipment	599,600 (USD 20,000,000)	599,600 (USD 20,000,000)	-	100	315,888	36,968 (VND 27,772,745,387)	36,968 (VND 27,772,745,387)	
	Creative Courtyards International Limited	Samoa	Sales of various types of outdoor furniture	2,998 (USD 100,000)	2,998 (USD 100,000)	100,000	100	(54,459)	(26,596) (USD 859,147)	(26,596) (USD 859,147)	Note 3

Note 1: The mentioned investment companies' for the year ended December 31,2019 annual investment profits and losses are recognized as investment profits and losses in the annual consolidated financial statements audited by the independent auditors during the period.

Note 2: Keysheen (Cayman) Holdings Co., Ltd. invested in Yauchung Investment Corp., which was acquired by way of stock exchange.

Note 3: the difference in the profit or loss for the period and recognized investment gain or loss for the investee includes the unrealized gross profit of the side stream of 49,304,000.

Keysheen (Cayman) Holdings Co., Limited and subsidiaries

Information Related to Investments in Mainland China

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE 8

Unit: In Thousands of New Taiwan Dollars/ in dollars of foreign currencies

1. Investee in China, principal business activities, Total Amount of Paid-in Capital, Method of Investment, Investment Flows, Percentage of Ownership, Equity in the Earnings(Losses), Carrying Value, and Accumulated Inward Remittance of Earnings:

Investee in China	Principal business activities	Paid-in capital	Method of investment	Accumulated outflow of Investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the period	Investee profit or loss for the period	Percentage of ownership	Recognized earnings and losses for the period	Carrying amount of the investment at the end of the period	Accumulated inward remittance of earnings as of the end of the period	Note
					Outward remittance of funds	Inward remittance of earnings							
Keysheen Industry (Shanghai) Co., Ltd.	Production of various types of outdoor steel furniture	\$ 1,678,880 (USD 56,000,000)	Yauchung Corp. reinvested in the Mainland through the third region	\$ -	\$ -	\$ -	\$ -	\$ 134,862	100%	\$ 134,862 (Note 1)	\$ 2,851,680	\$ -	
Creative Creations Inc.	Sales of various types of outdoor furniture	14,990 (USD 500,000)	"	-	-	-	-	28,346	100%	28,346	58,450	-	

Note 1: The investment profits and losses are recognized as investment profits and losses in the annual consolidated financial statements audited by independent auditors during the period.

2. Limit on Investment in Mainland

Accumulated Outflow of Investment from Taiwan end of period Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment by Investment Commission, MOEA
NA	NA	NA

Note 2: Major transactions with investment companies in Mainland China directly or indirectly through a third region:

- (1) The purchase amount and percentage and closing balance and percentage of related payables. (TABLE 4)
- (2) The sales amount and percentage and closing balance and percentage of related payables. (TABLE 4)
- (3) The amount of property transaction and the amount of profit and loss arising therefrom. (none)
- (4) The balance at the end of the period and the purpose of endorsement and guarantee of the bill or provision of collateral. (none)
- (5) The maximum balance of financing, the balance at the end of the period, the interest rate range and the total interest of the current period. (TABLE 1)
- (6) Other transactions that have a significant impact on the current profit and loss or financial situation, such as the provision or acceptance of services. (none)

V. Only the parent company's financial statement for the most recent fiscal year, certified by a CPA: Not applicable.

VI. The Company or its affiliates shall, in the case of financial turnover difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, state the effect of these difficulties on the financial position of the Company: None.

Seven. Review and analysis of the company's financial position and financial performance, and listing of risks

I. Financial position

Comparative analysis of financial status

In Thousands of New Taiwan Dollars

Item \ Fiscal year	2018	2019	Difference	
			Amount	%
Current assets	5,652,065	4,018,211	(1,633,854)	(28.91)
Investments accounted for using the equity method	-	-	-	-
Property, plant and equipment	1,833,550	1,589,126	(244,424)	(13.33)
Intangible Assets	21,588	22,420	832	3.85
Other assets	320,001	351,430	31,429	9.82
Total assets	7,827,204	5,981,187	(1,846,017)	(23.58)
Current liabilities	3,375,744	1,912,704	(1,463,040)	(43.34)
Non-current liabilities	455,945	162,448	(293,497)	(64.37)
Total liabilities	3,831,689	2,075,152	(1,756,537)	(45.84)
Equity attributable to owners of the parent	3,995,515	3,906,035	(89,480)	(2.24)
Sharecapital	1,042,610	1,042,610	-	-
Capital surplus	2,113,900	2,113,900	-	-
Retained earnings	871,462	919,830	48,368	5.55
Other equity	(32,457)	(170,305)	(137,848)	(424.71)
Non-controlling interests	-	-	-	-
Total Equity	3,995,515	3,906,035	(89,480)	(2.24)
<p>Comparing the most recent 2 fiscal years' accounting items, if there is a 20 percent and more variation amount over 10 million, detailed analysis of the causes for such changes are as follows:</p> <p>(1) Decrease in current assets: Mainly due to decrease in accounts receivable in the current period.</p> <p>(2) Decrease in total assets: Mainly due to decrease in current accounts receivable, resulting in decrease in total current assets.</p> <p>(3) Decrease in current liabilities: Mainly due to the decrease in short-term borrowings in the current period.</p> <p>(4) Decrease in non-current liabilities: Mainly due to the decrease in long-term borrowings in the current period.</p> <p>(5) Decrease in total liabilities: Mainly due to the decrease in total current liabilities arising from decrease in short-term borrowings in the current period.</p> <p>(6) Decrease in other equity: Mainly due to the decrease in the balance arising from the conversion of statements due to the change in exchange rate.</p>				

II. Financial performance

(I) Business results comparison analysis table

In Thousands of New Taiwan Dollars

Fiscal year Item	2018	2019	Amount increase(decrease)	Difference (%)
Net operating income	6,152,017	4,637,001	(1,515,016)	(24.63)
Operating costs	4,902,489	3,597,492	(1,304,997)	(26.62)
Gross profit	1,249,528	1,039,509	(210,019)	(16.81)
Operating expenses	1,114,829	976,980	(137,849)	(12.37)
Net operating profit	134,699	62,529	(72,170)	(53.58)
Non-operating income and expenditure	(60,806)	47,815	108,621	178.64
Profit before tax	73,893	110,344	36,451	49.33
Income tax expense	124,210	61,976	(62,234)	(50.10)
Total comprehensive income(loss) for the year	(50,317)	48,368	98,685	196.13

Note 1: Comparing the most recent 2 fiscal years' accounting items, if there is a 20 percent and more variation amount over NT\$10 million, detailed analysis of the causes for such changes are as follows:

- (1) Decrease in operating revenue: Mainly due to the continuous escalation of the Sino-US trade war since 2018, resulting in a decrease in customer order volume in 2019 than that in 2018.
- (2) Decrease in operating costs: Mainly due to the decrease in sales volume affected by the Sino-US trade war in 2019 and the simultaneous decrease in operating costs.
- (3) Decrease in operating net profit: Mainly due to the decrease in operating revenue in 2019.
- (4) Increase in non-operating income and expenditure: Mainly due to the exchange interest generated by the large fluctuation of RMB against US dollar arising from the Sino-US trade war in 2019.
- (5) Increase in net profit before tax: Mainly due to the exchange interest generated by the large fluctuation of RMB against US dollar in 2019.
- (6) Decrease in income tax expense: Mainly due to the reduction of annual pretax profit of overseas companies in 2019 and the reduction of earnings tax on dividends repatriated.
- (7) Increase in net profit of the current year: Mainly due to the increase in net profit before tax and decrease in income tax expenses.

Note 2: Reasons for changes in the company's main business activities, if the operating policies, market conditions, economic environment, or other internal and external factors have occurred or are expected to undergo major changes, the facts and impacts of changes and the company's future financial business may affect the impact and response plan: N/A.

Note 3: The main factors affecting the number of sales in the coming year and its basis and the company's expected sales volume continue to grow or decline: N/A.

(II) Operating gross profit change analysis

	Before and after number changed	Reason for difference			
		Price difference	Cost difference	Sales mix difference	Quantity difference
Gross profit	(210,019)	712,004	466,037	(6,887)	(449,099)

Description	<p>(1) Favorable price difference: The favorable difference in sales price is mainly due to the higher unit prices of K.d. and Rock products compared with that in the same period last year, resulting in the favorable difference.</p> <p>(2) Unfavorable cost price differences: This is due to the decline of sales and production affected by the Sino US trade war in the current period, but the fixed cost of the plant has not been reduced, so the cost of each type of inventory allocation is also large.</p> <p>(3) Favorable difference in sales combination: The main reason is that the overall sales volume has declined, and the proportion of main sales products (such as set, table, etc.) has declined, resulting in adverse differences in sales combination.</p> <p>(4) Favorable difference in sales volume: Mainly due to the unfavorable difference in sales volume caused by the continuous escalation of Sino-US trade war in 2019.</p>
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III. Cash flows

Liquidity analysis for the last two years:

1. Analysis of changes in cash flows:

In Thousands of New Taiwan Dollars

Item \ fiscal year	2018	2019	Increase/ decrease	
			Amount	%
Cash inflow (outflow) from operating activities	(335,906)	1,569,636	1,905,542	567.28
Cash inflow (outflow) from investing activities	(219,243)	(72,598)	146,645	66.89
Cash inflow (outflow) from financing activities	786,322	(1,335,064)	(2,121,386)	(269.79)

Major issue of changes in cash flows for 2019:

- (1) Cash inflow from operating activities increase: Mainly due to the cash increase in operation.
- (2) Cash outflow from investing activities decrease: Mainly due to the decrease in the amount of purchase of factory and equipment during the period.
- (3) Cash outflow from financing activities: Mainly due to the decrease of short-term borrowing.

2. Improvement plan for insufficient liquidity: there is no such situation.

3. Cash flow analysis for the coming year:

In Thousands of New Taiwan Dollars

Opening cash balance (1)	net cash flows from operating activities throughout the year (2)	net cash flows from investing activities throughout the year (3)	Net cash flows from financing activities throughout the year (4)	Cash surplus	cash shortfalls	
				Insufficient amount (1)+(2)+(3)+(4)	Investment plan	Financial plan
1,594,143	1,245,710	(41,109)	(443,295)	2,355,449	Not applicable	Not applicable
Remedial measures and liquidity analysis for expected cash shortfalls: There are no shortages.						

IV. Financial operations of any major capital expenditures during the most recent fiscal year

The Company has purchased property, plants and equipment in the amount of NT\$63,611 thousand in 2019, mainly for the construction of the subsidiary company in Vietnam and the addition of machinery and equipment. The source of funds is self-owned funds and bank loans. According to the profit situation of the company, there is no significant impact on the company's finance.

V. The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

1. The company's re-investment policy:

The Company's investment policy is based on investing related industry investment targets, which are implemented by the relevant executive department complied with the internal control system "investment cycle" and "the procedures for acquisition or disposal assets." The above measures or procedures have approved by the Board of Directors or shareholders meeting.

2. For the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability:

Except for Creative Courtyards International Limited with small loss due to non-standard scale of business, the rest of our investment companies in 2019 have shown profit margins.

Creative Courtyards International Limited was established in November 2015 and its main business is the sale of all types of outdoor furniture products. Due to the small scale of business this year and the business is in the expansion stage, it suffered a small loss. The Company will be committed to the operation of customized rattan outdoor furniture market in the following year, and actively expand the market of high unit price and customized products.

3. The investment plans for the coming year:

Keysheen Vietnam Ltd. is the key investment project of the company, and the infrastructure construction has been completed in 2019. At present, in addition to a small amount of process adjustment and improvement, it will continue to optimize the process and increase the technical capacity, so as to improve production capacity and production efficiency.

VI. Analyze and assess of risk list

(I) Risk management organization structure

Based on the characteristics of the Company's operations, the main operating entities are

divided into two major businesses: manufacturing (including R&D) and sales (including marketing). The parent company is the manager and supervisor of the company's overall operations.

The company's overall risk management policy includes the above two major business entities and the main goal is to prevent risk. Any possible risks, such as: company risk management, research and development publication, customer order target, production delivery, raw material supply, etc., are managed with delegation by the company and each business entity.

Risk management organization structure of the Company:

entity	Main authority
Board of directors	1.The company's highest management decision-making unit; develop corporate risk management culture and policies. 2.Monitor the effectiveness of the company's significant risk policies and management.
General manager and senior management (including the top executive of each institution)	1.Implement the risk management policy of the Board of Directors resolution. 2.Master of the company's operational risk warnings (including internal and external factors), promptly respond to countermeasures, and ensure the effective implementation of risk management.
The company and its subsidiaries	1.Management of daily risk management activities. 2.Implement of Company risk management activity

(II) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The effect upon the company's profits (losses):

Item	2019 (thousands of NTD)
Net interest income and expenditure	(16,018)
Net gain or loss on foreign currency exchange	48,986
Net interest income and expenditure as a percentage of net revenue	(0.35%)
Net interest income and expenditure as a percentage of income before income tax	(14.52%)
Net gain or loss on foreign currency exchange as a percentage of net revenue	1.06%
Net gain or loss on foreign currency exchange as a percentage of income before income tax	44.39%

(1) Interest rate change: The ratio of net interest income and expenditure to the Company's revenue and pre-tax net profit was (0.35%) and (14.52%), respectively in 2019. The net interest income and expenditure accounted for a higher proportion of net profit before tax, mainly due to the funding required for the expansion of the Vietnamese factory. As the Vietnam plant becomes more profitable, the Company will reduce its bank borrowing, keep a close eye on the market, and use the relevant hedging tools to avoid the risk of rising interest rates.

(2) Exchange rate fluctuation: Since the Company's sales are mainly in US dollars, the purchase and operating expenses of Shanghai Factory are mainly settled in RMB, so the fluctuation

of USD against RMB exchange rate will have a relative impact on the Company's revenue and profit. In 2019, the ratios of net profit and loss to the Company's revenue and pre-tax net profit were 1.06% and 44.39% respectively. The net profit and loss of the exchange accounted for a higher ratio of net profit before tax. Although there are large exchange gains and losses due to exchange rate changes in the current year, the company's forward foreign exchange transactions are mainly held for the purpose of avoiding exchange rate risk of foreign currency assets and liabilities. The finance department will collect information in exchange rate changes to immediately collect and judge the trend of exchange rate to reduce the impact of exchange rate fluctuations.

(3) The inflation: The Company's main production bases are located in China (Shanghai) and Vietnam. The cost of each may be affected by the changes in GDP in China and Vietnam in recent years, and the risks involved should be adjusted.

2. The response measures to be taken in the future

(1) Response measures for interest rate changes: Due to the influence of the sales model, the main cash inflows are in US dollars, and the main operating expenses are in RMB as the settlement currency. As mentioned in the risk analysis above, the risk of changes in interest rates has little impact on the Company's operations. However, the Company will continue to monitor the trend of financial interest rates and properly manage the impact of changes in interest rates of deposits and borrowings.

(2) Response measures for exchange rate fluctuation:

①When the company's sales department quotes the order, the impact of exchange rate changes on the selling price of the product will be considered, and measures the range of exchange rate fluctuations to adjust the selling price to ensure the company's operating profit.

②In addition to immediate adjustment of the foreign currency assets and liabilities, the financial department of the Company will increase the natural hedging effect of the exchange rate and pay close attention to changes in the international financial market and future exchange rate trends, and maintains close ties with many large banks in China and Taiwan, and provides the company's professional financial market information at any time to instantly and effectively grasp the exchange rate trend. The forward foreign exchange would applied as needed for hedging operations. The Company has strict forward foreign exchange operating management methods, which can effectively reduce the Company's operational risks arising from exchange rate fluctuations.

(3) Response measures for inflation:

The company has been operating in China for more than 20 years and has accumulated certain degrees of sensitivity to the inflation risks that may arise from political and economic changes in China. In addition, continuing improvement of equipment capacity and production line automation in terms of labor costs, the company has been continually trying to design more energy-efficient and economical designs in various processes and raw materials. Costs saving generates greater benefits to reduce the impact of China's inflation risks.

Affected by the Sino-US trade war, Vietnam has become the main destination for supply chain to move out of China, and labor costs in Vietnam have gradually increased. The company is committed to the cost monitoring of raw material procurement and the control of labor costs, so as to reduce the risk of future inflation.

(III) The Company's policy regarding high-risk investments, highly leveraged investments, loans

to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The company's business strategy has based on the principle of stable and conservative, and has not engaged in high-risk, high-leverage investment transactions in recent years. The transactions in derivative financial products are mainly for hedging purpose. With regard to loan lending, endorsement guarantees, and derivative commodity transactions, the Company has established operating methods and implemented according to relevant requirements. Moreover, the Group has not been lending funds to other parties other than subsidiaries.

(IV) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

In response to the changes and demands of the outdoor market, and to maintain the Company's leading advantage in the industry, the Company will strive to improve its R&D strength as always. In terms of R&D team building, the Company will absorb professional R&D talents, expand cutting-edge R & D equipment and introduce new R&D software technology. In terms of product design, the company will strive to break through the existing product barriers of the industry, seek change and innovation, effectively integrate product comfort, safety, practicability and decoration in design, and lead the trend of outdoor furniture industry. In terms of production technology, the Company will stride forward to automatic equipment production, combine information technology, reduce production costs, improve product quality, and form a sustainable industrial production system in the future.

1. The future development plans of the company are as follows:

①Development and application of new materials: starting from the environmental protection performance of materials, new materials shall meet the requirements of sustainable development of human beings. The company shall ensure the environmental protection of materials from three aspects: on the one hand, the production process of materials shall meet the requirements of local environmental protection department; on the second hand, the new materials shall meet the local environmental protection laws and regulations in the selling area and be easy to be recycled; on the third hand, the Company shall ensure the safety of these materials used by consumers and strictly implement the hazardous substances limit control and other relevant standards. Based on the above three aspects, the Company will adopt cross industry development or technical improvement to make new materials suitable for outdoor use, or improve the materials in current use, and carry out research and development in many aspects such as improving the sense of value and reducing the cost of materials.

②Deepen the R & D of high-end products: the Company will fully tap the R & D potential of the company, arrange R & D personnel to visit, study and actively participate in all kinds of medium and high-end product fairs and professional exhibitions of materials, etc., so as to master the cutting-edge trends and popular trends of high-end market, constantly innovate product structure, constantly optimize product color matching, and introduce

modern technology elements to develop high-end products with market competitiveness and company characteristics.

- ③ Development of rattan products: in recent years, the growth of rattan products of the Company is widely recognized in the industry, and the quality and efficiency are recognized by customers. Taking advantage of this trend, the R & D Department of the Company will actively explore the development of rattan products, and continue to launch new patterns, new models and new weaving methods of rattan products to enrich the types of products. In the aspect of rattan self-made, in addition to the continuous introduction of new products in rattan color and pattern, the Company will continue to invest in the application of new materials at the same time, including continuous efforts in obtaining stronger weatherability of rattan, in order to develop environmental friendly and durable rattan with cost competitiveness.
- ④ Development of new process and introduction of automation: the Company has made long-term efforts in mechanical automation production, either in the form of introducing new production equipment in the market, or in the form of independent research and development applicable to the Company's process equipment, and have achieved remarkable results. Based on the actual situation of each process, the Company will continue to develop or introduce new equipment to replace labor investment with equipment automation in the future to reduce the production cost of products and promote sustainable development.
- ⑤ Attaching great importance to the laboratory construction: with the increasing requirements of customers and the market for product safety performance, the Company will continue to improve environmental testing, physical strength testing, chemical testing, and continue to improve the operation of displacement-limited of products, physical pressure and other aspects in the laboratory testing process, with a view to achieving real and reliable test results more quickly.

2. The R&D plan and production schedule of 2020 are as follows:

Recent annual research and development plan name	current status	R&D expenses to be invested (thousands of NTD)	Complete production time	The main influencing factors for future R&D success
Develop more than 400 new products for all types of customers	Providing samples to customers	30,000	August 2020	1. Collection of new design elements
				2. Market price positioning of products
				3. Customer's requirements
				4. Sample making progress
				5. Sample improvement
Research and development of glass ceramics and glass mosaic	Providing samples to customers	7,000	June 2020	1. Design of pattern/color combination
				2. Sample development and production progress
				3. Formulation of product quality inspection standards

Research and development of heat transfer printing plastic wood	Providing samples to customers	12,000	July 2020	1. Manufacturer's sampling progress
				2. Sample development and production progress
				3. Formulation of material test standard
Research and development of new hand paint	Providing samples to customers	5,000	October 2020	1. Setting of color matching for hand paint
				2. Formulation of process flow of hand paint
				3. Sample development and production progress
				4. Progress of sealing sample of standard color card
Research and development of dust-proof and pollution-resistant fabrics	Providing samples to customers	6,000	September 2020	1. Progress of identification of fabric formulation
				2. Progress of mold opening of accessories
				3. Providing samples to customers
				4. Formulation of material test standard
Development of special-shaped composite table	Providing samples to customers	6,000	July 2020	1. Progress of appearance design
				2. Progress of mold opening of accessories
				3. Sample development and production progress
Development of new rattan	Providing samples to customers	12,000	September 2020	1. Progress of specifications and pattern design
				2. Progress of mold opening of manufacturers
				3. Product improvement
Research and development of roller embossed metal desktop	Providing samples to customers	8,000	August 2020	1. Design of roller pattern
				2. Progress of mold opening of manufacturers
				3. Sample development and production progress

3. Estimated investment in research and development costs: invest about NT\$ 86 million in 2020.

(V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company is registered in the Cayman Islands and the main operating countries are in China and Vietnam. The implementation of each of the Group's businesses is handled in accordance with the important policies and laws of China and Vietnam, and is always aware of important policy development trends and compliance changes in China and Vietnam, as well as adapting to changes in the market environment and taking appropriate countermeasures. Up to now, the Group has not had any significant impact on the company's financial business due to changes in important policies and laws in the China and Vietnam.

(VI) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The Group pays attention to the technological changes and technological developments of its industries, and continuously improves product quality and process, and quickly catches the industry dynamics and market information, adopting a sound financial management strategy to maintain market competitiveness. Recently, in addition to the development of appearance and function in the past, outdoor leisure furniture products have gradually become more environmentally friendly and more energy-efficient process development and design. The Company will continue to pay attention to the relevant technological changes in the industry and assess its impact on the company's operations and make corresponding adjustments to strengthen the Group's business development and financial position. Therefore, technological changes and industrial changes have no significant adverse impact on the company.

(VII) Effect on the Company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Group has always adhered to the principles of integrity and professional management, actively strengthened internal management, improved management quality and efficiency, focus in importance of corporate image and risk control, and complied with relevant laws and regulations. At present, there is no issue affecting the corporate image. In the future, the company will pursue the social responsibility of the company while maximizing of shareholders' equity.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: N/A.

(IX) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The company invested in 2016 to establish Keysheen Vietnam Ltd. As a result of the nature of the investment in the land, the expected benefits of the expansion of the factory may be attributable to the risk of delays in the expansion of the factory due to the delay in capacity expansion or overcapacity after the expansion of the factory.

The company's response is:

- (1) In terms of plant expansion, the company has dedicated dedicated staff responsible for the progress and quality control of the plant expansion, and is ready to communicate with the construction unit to adjust the progress of any plant expansion. Therefore, there is no delay in the expansion of the plant from the beginning of construction to the completion of the project.
- (2) In terms of the risk of overcapacity after the expansion of the factory: as mentioned above Keysheen Vietnam Ltd. is a company established by the company for new investment in expanding the product range. In the past, the company has lacked the production capacity of rattan outdoor leisure furniture products, and rattan outdoor leisure furniture has become the mainstream product of outdoor leisure furniture in recent years. With the increasing demand for products, the company is a new factory in rattan outdoor leisure furniture products. However it has been recognized by many major customers and ordered to reserve capacity. Therefore, the Company believes that for the continuous growth of market demand, there should be no risk of overcapacity after the expansion of the factory.

(X) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The company's customers are slightly concentrated. In 2019, the top ten sales customers accounted for more than 70% of the company's revenue. The largest customer accounts for about 30% of revenue. With expansion of new markets, as the consumer community becomes

younger, internet sales have become a new consumption model, and the customer base has gradually diversified. In 2019, the top ten purchase suppliers accounted for more than 30% of the total purchases, of which the largest manufacturers accounted for less than 10% of the total purchases, and there was no significant concentration of purchase sources. In addition, most of the other raw material suppliers of the company have stable cooperative relationship with companies that have good quality reputation in the industry and have been with the company for many years. Therefore, there should be no risk of concentration of purchases.

(XI) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: There is no event of a major quantity of shares in the company been transferred or changed hands in 2019 or during the current fiscal year up to the date of publication of the annual report.

(XII) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

There is no event of change in governance personnel or top management in 2019 or during the current fiscal year up to the date of publication of the annual report.

(XIII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: N/A.

(XIV) Other important risks, and mitigation measures being or to be taken:

The Company holds an unassailable attitude towards information security, and the special group of the information department is responsible for establishing the management regulations for information security, including monitoring the information security environment, handling the information security crisis and tracking and improving the information quality. In addition, in order to ensure that the risk of information security faced by the Company can be controlled, the Company has formulated the "Management Regulations on Computer Software and Hardware and Information Security". The audit unit carries out the annual audit according to regulations on the security inspection of information and communication, so as to ensure that the staff of the Company can truly implement the security standard.

According to the main threats, weaknesses and impacts related to information security, the Company evaluates the possibility of actual occurrence of information security related risks and implements control measures:

1. Network security: set up the control and use authority and record of firewall, separate

the external network from the internal network, make the production line fully in the security area of internal network, and continuously monitor the network to ensure the security of network in use.

2. IT infrastructure protection: regularly update computer hardware and software systems and install patches, and update anti-virus and information security testing software year by year to reduce information security risks.
3. Education and training of staff's safety awareness: regularly help staff to do education and training to improve their awareness, continuously advocate and implement the management system internally, and regularly conduct internal audit, vulnerability scanning and management review every year.
4. Disaster recovery: in order to recover all operations as soon as possible when the information system is damaged, the system has regular backup of all information. The Company has a system recovery test plan every year to ensure the normal operation of the information system and data preservation, which can reduce the risk of system interruption caused by natural disasters without warning and human negligence.

There is no event of material information security issue in 2019 or during the current fiscal year up to the date of publication of the annual report, which had material adverse effect on the business and operations of the Company and has not been involved in any legal cases or regulatory investigations related to this.

VII. Other important matters: N/A.

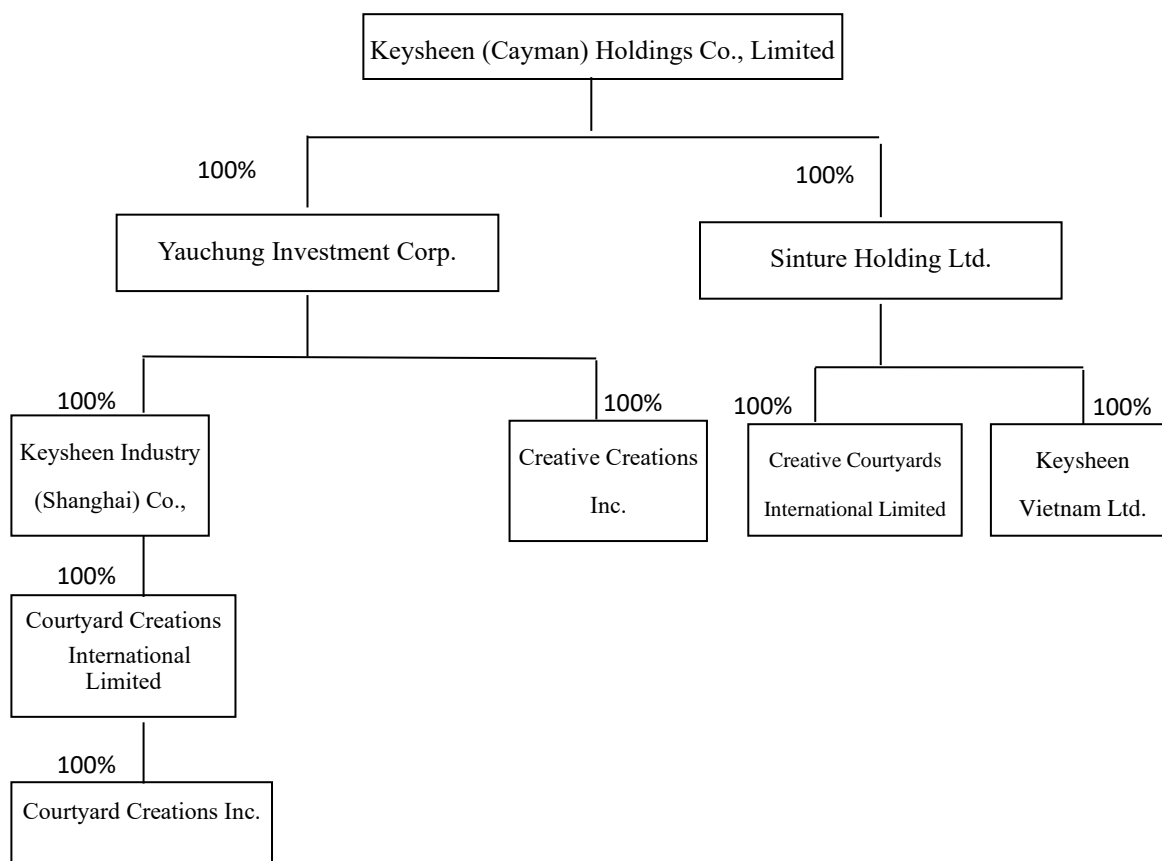
Eight. Other important matters

I. Information related to the company's affiliates

(I) Consolidated business report of subsidiaries

1. Group Information

(1) The Company and Affiliates



2. Basic information of related companies and industries covered by the business:

Dec. 31st, 2019 Unit: thousand NTD; FXD

Corporate name	Location	Principal business activities	Original investment amount
Yauchung Investment Corp. (Note 1)	Samoa	Investment	1,537,749
Sinture Holding Ltd.	Samoa	Investment	599,600 (USD20,000,000)
Keysheen Industry (Shanghai) Co., Ltd.	Shanghai, China	production of various types of outdoor steel furniture	1,678,880 (USD56,000,000)
Creative Creations Inc.	Shanghai, China	sales of various types of outdoor furniture product etc.	14,990 (USD500,000)
Courtyard Creations International Limited	Hong Kong	Investment	29,980 (USD1,000,000)
Courtyard Creations Inc.	Mauritius	Sales of various types of outdoor furniture	29,980 (USD1,000,000)
Keysheen Vietnam Ltd.	Vietnam	The production of metal and artificial plastic rattan tables and chairs and equipment.	599,600 (USD20,000,000)
Creative Courtyards International Limited	Samoa	Sales of various types of outdoor furniture	2,998 (USD100,000)

Note 1: The company invested in Yauchung Investment Corp., which was acquired by way of stock exchange.

3. According to Article 369-3 of the Company Act, it shall be concluded as the existence of the controlling and subordinate relation: N/A.

4. Operation brief of related companies

Dec. 31st, 2019 unit: thousand NTD

Corporate name	Capital sum	Total assets	Total liabilities	Net value	Operating income	Operating profit	Profit or loss for the period (after tax)	Earnings Per Share (\$)(after tax)
Yauchung Investment Corp.	1,537,749	3,701,572	9,063	3,692,509	0	(27,027)	139,028	3.76
Sinture Holding Ltd.	599,600	285,040	108,260	176,780	0	(19,451)	(7,058)	(0.35)
Keysheen Industry (Shanghai) Co., Ltd	1,678,880	3,401,393	549,713	2,851,680	2,892,876	60,510	134,862	(note)
Creative Creations Inc.	14,990	173,235	114,784	58,451	248,466	37,184	28,346	(note)
Courtyard Creations International Limited	29,980	554,417	0	554,417	0	(32,033)	80,219	80.22
Courtyard Creations Inc.	29,980	1,374,240	820,123	554,117	3,658,031	41,339	80,251	80.25
Keysheen Vietnam Ltd.	599,600	1,897,422	1,581,534	315,888	1,344,016	41,895	36,968	(note)
Creative Courtyards International Limited	2,998	1,369,239	1,423,663	(54,424)	1,421,877	4,288	(26,596)	(265.96)

Note: There is no share in the type of China and Vietnam limited company. Earnings per share may not be calculated.

5. The overall businesses covered by related companies:

- ① Yauchung Investment Corp. established in May 2003, is an investment company currently.
- ② Sinture Holding Ltd. established in October 2015, is an investment company currently.
- ③ Keysheen Industry (Shanghai) Co., Ltd established in September 1997, and the main business is production and manufacture of various types of outdoor steel furniture and other products.
- ④ Creative Creations Inc. established in January 2018, and the main business is the sales of outdoor furniture and other products.
- ⑤ Courtyard Creations International Limited established in July 2008, is an investment company currently.
- ⑥ Courtyard Creations Inc. established in January 2003, and the main business is sales of outdoor furniture and other products. In March 2009, it became a subsidiary of the company's subsidiary.
- ⑦ Keysheen Vietnam Ltd. established in January 2016, and the main business is production of metal and artificial plastic rattan tables and chairs and equipment.
- ⑧ Creative Courtyards International Limited established in November 2015, and the main business is sales of outdoor furniture.

6. The names of directors, supervisors, and general managers of each related companies and their shareholdings or capital contributions to the company: N/A.

(II) The consolidated financial statements of related companies: please refer to #P111~ P175#

(III) Reports on affiliations: Not applicable.

II. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. Other matters that require additional description: None.

V. The explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity.

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
One. The raising and change of company capital		
If shares are distributed in connection with a capital increase out of cash, earnings, or capital reserve, issues new shares in connection with a cash capital increase	1. Articles 156 and 266 of the Company Act 2. Item 3 of Articles 142 and 266 of the Company Act	1. According to the Cayman Islands Companies Law, the increase in the authorized capital of the company shall be approved by the shareholders' meeting by ordinary resolution. In terms of capital reduction, according to Cayman Islands Companies Law, it must be approved by the court, except that it must be passed by a special resolution by the shareholders' meeting. 2. The Company has listed the relevant provisions in Articles 11, 12, 13, 14, 16, 31, and 134(A) of the Articles of Association.
1. The company transfers re-purchased shares to the employees at an average price lower than the actual price, the resolution required for the transfer may be adopted by two-thirds (2/3) of the total votes of the shareholders present at the shareholders' meeting attended by the shareholders representing a majority of the total number of outstanding shares issued by the company and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions: (1) The assigned transfer price, discount rate, calculation basis and rationality. (2) Transfer of shares, purpose, and rationality (3) The qualifications of the employees who subscribed for the shares and the shares to be subscribed for. (4) The effect on shareholders' equity: The amount that may be	Article 10-1 of Regulations Governing Share Repurchase by Exchange-Listed and TPEX-Listed Companies	1. According to the Cayman Islands Companies Law, the company may hold its own shares unless otherwise provided for in the Articles of Association.. 2. The Company has listed the relevant provisions in Articles 33 and 34 of the Articles of Association. However, the matters may not be proposed by any extemporary motion and accumulated shares transferred to the employees have not been provided in this charter.

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company's Articles of Incorporation provided rules and any departure of such implementation</p>
<p>expensed and the dilution of the company's earnings per share. Explain financial burden on the company for transferring re-purchased shares to the employees at an average price lower than the actual price. 2. The accumulated total transferring repurchase shares to the employees approved by the shareholders meeting shall not exceed 5% of the total issued shares of the company. And the total number of shares subscribed by a single employee shall not exceed 0.5% of the total issued shares of the company.</p>		
<p>Two. The procedures and resolutions of the shareholders' meeting</p>		
<p>1. General Shareholders' Meeting should be held at least once every year and shall be convened within six months after close of each fiscal year. A shareholders' meeting shall be convened by the Board of Directors. 2. The Meeting shall be held within the territory of the Republic of China. If the Directors resolve to hold a general meeting outside Taiwan, the Company shall apply for the approval of the TSE thereof within two days after the board of Directors adopts such resolution. 3. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion in writing or by way of electronic transmission at a General Shareholders' Meeting. The Board of Directors shall be listed as a motion, except for the resolutions of the non-shareholders' meeting, the proposal holders' shareholdings of less than 1%, the proposal</p>	<p>1. Article 170 of the Company Act 2. Article 172-1 of the Company Act 3. Item 1 & 2 of Articles 173 and 173-1 of the Company Act 4. Article 172 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act 5. Article 6 of Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies</p>	<p>1. According to the Cayman Islands Companies Law, in addition to exempting companies, shareholders' meetings should be held at least once a year. 2. There is no related law in the Cayman Islands Companies Law for the location where the company holds the shareholders' meeting. 3. There is no related law in the Cayman Islands Companies Law for the right of proposals submitted by shareholders. 4. According to the Cayman Islands Companies Law, when there is no provision, the three shareholders have the right to convene a shareholders meeting. 5. There is no related law in the Cayman Islands Companies Law for items 5 and 6 in the left are for the purpose of the extemporary motion of shareholders' meeting and the general shareholders' meeting handbook item. 6. The Company has listed the relevant provisions in Articles 43,44,45,47,48, and 50 of the Articles of Association.</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>being submitted outside the period of the announcement, and the proposal exceeding 300 words or more than one proposal. The shareholder proposal is a proposal to urge the company to promote the public interest or to fulfill its social responsibilities. The Board of Directors still has to include the proposal.</p> <p>4. The general shareholders' meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding at least three percent (3%) of the paid up voting share capital of the Company for a period of one year or a longer time deposited to the Board specifying the subjects for discussion and the reasons. If the Board fails to give a notice for convening such meeting within 15 days after the date of such deposit, subject to the approval of the Taiwan competent authority, the requisitioners themselves may convene the general meeting in the same manner.</p> <p>5. Extraordinary general meetings shall also be convened on the requisition of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding at least half (50%) of the paid up voting share capital of the Company for a period of three months. The calculation of the shareholders' shareholding period and the number of shares held shall be based on the date on which share transfer registration is suspended.</p> <p>6. The following matters and details shall be specified in the notice of a general meeting, and shall not be proposed as ad hoc motions. The main content</p>		

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>of the website must be placed on the website designated by the Taiwan Securities Competent Authority, and its website should be stated in the notice.</p> <ol style="list-style-type: none"> (1) Election or discharge of directors or supervisors; (2) Amendments to the Articles; (3) Capital reduction; (4) Apply to stop public offering; (5) Dissolution, merger, shares transfer, or spin-off of the Company; (6) Entering into, amendment to or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others; (7) The transfer of the whole or any material part of its business or assets; (8) Taking over another's whole business or assets, which will have a material effect on the business operation of the Company; (9) Carrying out private placement of its securities; (10) Granting waiver to the Director's engaging in any business within the scope of business of the Company; (11) distributing part or all of its dividends or bonus by way of issuance of new Shares; and (12) The statutory reserve and the capital reserve due to the issuance of stock premiums or gifts, and the distribution to the original shareholders with new shares or cash. <p>6. At least twenty-one days' notices shall be given for any annual general meetings. The Company shall prepare general shareholders' meeting handbook and the relevant materials, which will be sent to</p>		

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company’s Articles of Incorporation provided rules and any departure of such implementation</p>
<p>or made available to all Shareholders and shall be published.</p>		
<ol style="list-style-type: none"> 1. A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting. However, the company complies with the “Scope of Applicable Electronic Voting of the Company” promulgated by the competent authority of the Republic of China Securities and the newly listed primary listed company, which shall list electronic transmission as one of the voting rights exercise channels. 2. The votes of the shareholders' meeting may be exercised in writing or by way of electronic transmission if the company convenes a shareholder meeting outside the Republic of China. 3. The votes of the shareholders' meeting may be exercised in writing or by way of electronic transmission and the method for exercising the votes shall be described in the notice of the general meeting. A shareholder who exercises his/her/its voting power at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person. But he/she shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. 4. In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the 	<ol style="list-style-type: none"> 1. Article 177-1 of the Company Act 2. Article 177-2 of the Company Act 3. Article 178 of the Company Act 4. Article 179 of the Company Act 5. Article 180 of the Company Act 	<ol style="list-style-type: none"> 1. There is no related law in the Cayman Islands Companies Law for the case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission. 2. There is no related law in the Cayman Islands Companies Law for the recusal system of shareholders. 3. According to the Cayman Islands Companies Law, each shareholder has one vote if there is no provision. 4. According to the Cayman Islands Companies Law, the company holds its own shares in accordance with the law, has no voting rights and is not included in the issued shares. Except for the previous provisions, there is no relevant law in the Cayman Islands Companies Law for the shares without voting power. 5. The Company has listed the relevant provisions in Articles 62, 65,(shareholders who are not allowed to exercise voting rights should still be counted as a quorum) 66, 67,(only those who exercise their voting rights in writing or electronically are deemed to have appointed the chairman of the shareholders' meeting as their agent.) 68, 69, and 70(A) of the Articles of Association.

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail. Unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.</p> <p>5. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p> <p>6. A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder. The shares for which voting right cannot be exercised shall not be counted in the number of votes of shareholders present at the meeting.</p> <p>7. Except in the circumstances otherwise provided for in this Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.</p>		

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>8. The shares shall have no voting power under any of the following circumstances: The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.</p> <p>(1) The share(s) of a company that are held by the issuing company itself in accordance with the laws.</p> <p>(2) The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represent more than one half of the total number of voting shares or the total shares equity of such a subordinate company.</p> <p>(3) The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.</p>		
<p>1. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy.</p> <p>2. Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power</p>	<p>1. Article 177 of the Company Act</p>	<p>1. According to the Cayman Islands Companies Law, the calculation of the resolution threshold of the shareholders' meeting shall be included in the voting rights when the company allows the agent to be entrusted by the shareholders to attend the shareholders' meeting</p> <p>2. There is no relevant laws in the Cayman Islands Companies</p>

<p>The important matters in connection with protection of shareholder equity</p>	<p>The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》</p>	<p>The Company's Articles of Incorporation provided rules and any departure of such implementation</p>
<p>represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.</p> <p>3. A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail. Unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.</p> <p>4. Issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission , a proxy rescission notice shall be filed with the company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.</p> <p>5. When the company convenes a shareholder meeting outside the Republic of China, it should entrust a professional Shareholders' Service Agent in the territory of the Republic of China to accept shareholder voting matters</p>		<p>Law regarding the form of the power of attorney, the number of entrust, the maximum number of proxy voting rights and the revocation of the power of attorney.</p> <p>3. The Company has listed the relevant provisions in Articles 71, 72, 74, and 75 of the Articles of Association.</p>
<p>At the end of each fiscal year, the Board of Directors shall prepare a business report, financial statements, and a proposal for the distribution of surplus or loss. It shall be submitted to the shareholders' general meeting for recognition. After being recognized by the shareholders'</p>	<p>1. Article 228 of the Company Act 2. Item 1 of Article 230 of the Company Act</p>	<p>1. According to the Cayman Islands Companies Law, the company should keep proper books and lists. However, there is no relevant laws in the Cayman Islands Companies Law on whether the proposal for the provision of business reports, financial statements or</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
meeting, the Board of Directors shall distribute or announce the shareholders' resolutions in the financial statements and the distribution of surplus or loss..		surplus losses should be recognized by the shareholders' meeting. 2. The Company has listed the relevant provisions in Article 137 of the Articles of Association.
<p>1. The report of the Board of Directors and the supervisors submitted by the Board of Directors (if the company has a supervisor) shall be placed in the stock agency of the Republic of China 10 days before the regular meeting of the shareholders. .</p> <p>2. The Board of directors shall keep at the office of its Shareholders' Service Agent in Taiwan copies of these Articles, the minutes of every meeting of the Shareholders and the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, duplicate, and to make copies of the Memorandum and Articles and accounting books and records: The Company should request the Shareholders' Service Agent to offer the said documents.</p> <p>3. The Board of Directors or other authorized conveners of shareholders' meetings may require a company or its shareholder service agent to provide with the roster of shareholders.</p>	<p>1. Item 1 in Article 184 of the Company Act</p> <p>2. Article 229 of the Company Act</p> <p>3. Article 210 of the Company Act</p> <p>4. Article 210-1 of the Company Act</p>	<p>1. According to the Cayman Islands Companies Law, the court may appoint an inspector to inspect the company's business matters. However, there is no relevant norms in the Cayman Islands Companies Law regarding matters of shareholder access.</p> <p>2. The Company has listed the relevant provisions in Articles 138 and 142 of the Articles of Association.</p>
A company shall not do any of the following material acts for shareholders' equity without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its	<p>1. Article 185 of the Company Act</p> <p>2. Article 277 of the Company Act</p> <p>3. Article 159 of the Company Act</p> <p>4. Article 240 of the Company Act</p>	<p>1. Regarding the circumstances of items 1 and 4 in the left column, the Cayman Islands Companies Law does not require a special resolution.</p> <p>2. Regarding the circumstances of items 2 and 3 in the left</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
<p>outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; the transfer of the whole or any material part of its business or assets; taking over another's whole business or assets, which will have a material effect on the business operation of the Company. 2. Amendments to the Articles; 3. Any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted by a meeting of special shareholders. 4. Distributing part or all of its dividends or bonus by way of issuance of new Shares 5. Resolution of dissolution, merger, or spin-off 6. Stock conversion 	<p>Act</p> <ol style="list-style-type: none"> 5. Article 316 of the Company Act 6. Article 29 of the Business Mergers and Acquisitions Act 	<p>column, according to the Cayman Islands Companies Law, the amendment of the company's articles of association is subject to a special resolution by the shareholders' meeting. According to the Cayman Islands Companies Law, a special resolution shall be adopted by two-thirds of the shareholders with voting right.</p> <ol style="list-style-type: none"> 3. Regarding the circumstances of item 5 in the left column, according to the Cayman Islands Companies Law, when the company is dissolved, if the company is unable to pay off the debts due, it will be made by ordinary resolution. Otherwise, it shall be made by special resolution. 4. In addition, at the time of the company's merger, except for the merger of the parent company and the subsidiary company, it is not subject to the resolution of the shareholders' meeting. According to the Cayman Islands Companies Law, the shareholders' resolutions are as follows: <ul style="list-style-type: none"> a resolution adopted by a majority of the shareholders present who represent three-fourths or more of the total number of its outstanding shares; and <p>The shares issued by the surviving company or newly incorporated company, the rights and value incidental to the shares are the same as those held by the combining company, shall be adopted by two-thirds of the shareholders with voting right.</p> <p>Regardless of whether or not the shares held by the shareholders have the right to</p>

The important matters in connection with protection of shareholder equity	The related law of the 《Company Act 》 or 《 Securities and Exchange Act 》	The Company's Articles of Incorporation provided rules and any departure of such implementation
		<p>vote, the shareholders can exercise their voting rights under the above circumstances.</p> <p>5. The Company has listed the relevant provisions in Articles 57, 58, and 157 of the Articles of Association. Regarding the matter of any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted by a meeting of special shareholders. As stipulated in Article 10 of the Articles of Association, the rights and obligations of the special shares will be revised to the articles of association after the Board of Directors decides to issue special shares and before it has not been actually issued. The company will decide to issue special shares and then amend the relevant regulations into the Articles of Association. In addition to the resolution threshold for the dissolution of the company, Article 59 of the Articles of Association is the same as provisions of the Cayman Islands Companies Law.</p>
Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Articles of Association or by law, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.	Article 174 of the Company Act	<ol style="list-style-type: none"> 1. According to Cayman Islands Companies Law, amendments to the Articles; 2. The Company has listed the relevant provisions in Article 55 of the Articles of Association.

VI. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: N/A.