

Stock Code : 8426

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Redwood Group 2018 Annual Report

Market Observation Post System : <http://www.newmops.com.tw>

Company Website : <http://www.redwoodgroup.co>

Printing Date : 30 April 2019

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Redwood Group Ltd

2018 Annual Report

Printed on April 30, 2019

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

Company Website: <http://www.redwoodgroup.co>

I. Name, Title, Telephone Number, and E-mail Address of the Spokesperson and Acting Spokesperson

Spokesperson	Acting Spokesperson
Name: Thong-ming Soh	Name: Pin-ching Su
Title: Chairman	Title: Manager of Finance and Investor Relations
Tel: (886)2-8522-3008	Tel: (886)2-8522-3008
E-mail: rwg@redwoodgroup.co	E-mail: bensu@redwoodgroup.co

II. Address and Telephone Number of Headquarters, Branch Offices, and Factories

Name: Redwood Group Ltd	Website: www.redwoodgroup.co
Address: 190 Elgin Avenue, George Town Grand Cayman KY1-9007 Cayman Islands	
Name: Redwood Group Ltd Taipei Office	
Address: 8F, No. 312, Section 2, New Taipei Boulevard, Xinzhuang District, New Taipei City	Tel: (886)2-8522-3008
Name: Redwood Interior Pte Ltd	Website: www.redwood.com.sg
Address: 48 Sungei Kadut Ave Singapore 729671	Tel: (65)6368-0838
Name: Redwood Furniture Sdn. Bhd.	Tel: (607)3867-888
Address: No.1, Jalan Bukit, Kawasan Miel, 81750 Seri Alam, Johor, Malaysia	

III. Name, Address, E-mail Address, and Telephone Number of the Stock Transfer Agency

Name: KGI Securities Co. Ltd	Website: http://www.kgieworld.com.tw
Address: 5F, No. 2, Section 1, Chongqing South Road, Zhongzheng District, Taipei City	Tel: (886)2-2389-2999

IV. Name of the CPA who Audited the Financial Statements for the Most Recent Year, and the Name, Address and Telephone Number of the CPA's Accounting Firm

Name of CPA: Ming-chung Hsieh and Po-jen Weng
CPA Firm: Deloitte Taiwan
Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City
Website: <http://www.deloitte.com.tw>
Tel: (886)2-2725-9988

V. Board Members

Title	Name	Nationality	Work Experience
Director	Thong-ming Soh	Singapore	<ul style="list-style-type: none"> ● Founder of Redwood Group Ltd ● Founder of Redwood Interior Pte Ltd ● Founder of Redwood Furniture Sdn. Bhd.
Director	Lee-mui Teh	Singapore	<ul style="list-style-type: none"> ● Co-founder of Redwood Group Ltd ● Co-founder of Redwood Interior Pte Ltd ● Co-founder of Redwood Furniture Sdn. Bhd.
Director	Pok-chin Lim	Singapore	<ul style="list-style-type: none"> ● Representative to the Chairman of Scanteak Company ● Chairman of Hawaii Furnishing Pte Ltd ● Vice Chairman of Council of Asia Pacific Furniture Association ● Chairman of Singapore Furniture Association
Director	Khay-pin Neo	Singapore	<ul style="list-style-type: none"> ● Executive Vice President of United Overseas Bank
Independent Director	Min-chiu Chien	Republic of China	<ul style="list-style-type: none"> ● CPA of ACTION & Co., CPAs ● Auditor of Deloitte & Touche ● CPA of Jing Hua Co., CPAs ● Supervisor of Hokuang Optics Co., Ltd. ● Supervisor of UniLite Corporation ● Adjunct Lecturer of Accounting Research and Development Foundation ● Member of the Remuneration Committee of HeySong Corporation ● Supervisor of Coho Technology Co., Ltd. ● Independent Director of Redwood Group Ltd
Independent Director	Chin-huat Guok	Singapore	<ul style="list-style-type: none"> ● Director of Seed Ventures ● Director and CEO of Wee Poh Ltd ● Independent Director of Singxpress Ltd ● Independent Director & Chairman of Bukit Sembawang ● Independent Director of Global Palm Resources Holdings ● Independent Director of RE & S Holdings Ltd ● Independent Director of Asiatravel.com Holdings Ltd ● Independent Director of Tellus Asset Management Pte Ltd ● Independent Director of Redwood Group Ltd
Independent Director	Chia-shi Lo	Republic of China	<ul style="list-style-type: none"> ● Chief Attorneys-at-law of Forum, Legal Professionals ● Chief Attorneys-at-law of Deloitte Legal ● Director of Excalibur International Marine Corp. ● Independent Director of Shin Shin Natural Gas Co., Ltd. ● Director of Shinkong Textile Co., Ltd. ● Independent Director of Shin Kong Life Insurance Co., Ltd. ● Independent Director of Redwood Group Ltd

VI. Appointed Domestic Representative

Name: Pin-ching Su

Title: Manager of Finance and Investor Relations

Tel: (886)2-8522-3008

E-mail: bensu@redwoodgroup.co

VII. Name of Any Overseas Exchanges where the Company's Securities are Traded, and the Securities Inquiry Method:

None.

VIII. Company Website:

<http://www.redwoodgroup.co>

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Chapter 1 Letter to Shareholders

FY2018 had been a very tough year for Redwood Group. The overall global economy in industrial production and trade was slowed, and business confidence fell. This has a direct impact to the luxury market, particularly in the personal luxury market sector, in which the reported growth for 2017-18 was 2% compared to a 5% growth for 2016-17. In FY2018, Redwood Group has booked a total revenue of NT1,506 million, with a gross margin of 21.91%

In the coming year, we continue to see vast opportunities to differentiate ourselves through solutions leadership and transformation initiatives. In 2018, Redwood Group has expanded our strategic overseas offices in Japan, France, and the U.S. in order to reach out to our clients more effectively. These offices will allow the company to increase the opportunity for exploring these markets where we have not been fully developing. Redwood Group will continue to stay focused in our core business in providing world-class services to the fit-out sector of luxury retail stores. We also plan to explore new business opportunities in other high-end sectors when the new facilities in Singapore, scheduled to be completed by the end of 2019, are in place.

Amidst the challenging environment, I would like to express my heartfelt appreciation to my fellow Board members. With a focused strategy in mind, their counsel and guidance has successfully steered Redwood Group's strategic direction.

To our management team and staff, I would like to thank you for your hard work and dedication to Redwood Group. I would also like to express my gratitude to our business associates, partners, suppliers, and loyal customers, all of whom have lent us strong support. Finally, I would like to thank all of our shareholders for their unwavering faith in Redwood Group.

Redwood Group is on our path to transformation, hoping to a new motivation for growth so as to propel ourselves into the next decade and beyond. With the industry landscape rapidly changing, we need take action to adapt. I believe that we have a capable team in the right positions to execute our plans. However, since we need the understanding and patience of our stakeholders to see the fruits of our efforts, we will provide progress updates as we navigate the winds of change and continue to tap into new opportunities. We have weathered through various cycles in history and seen the industry and its players undergo ups and downs. I believe that with our determination, teamwork, and the support of our honorable investors, we will prevail once again and emerge a stronger organization.

I. Implementation Results of 2018 Business Plan

(I) Implementation results of business plan

Unit: NT\$1,000

Item	FY2018	
	Amount	Percentage (%)
Operating revenue	1,506,228	100.00%
Operating costs	1,176,203	78.09%
Gross profit	330,025	21.91%
Net operating loss	(6,305)	(0.42)%
Net loss before tax	(16,858)	(1.12)%

(II) Budget execution status: This is not applicable as Company does not have to disclose its financial forecasts to the public.

(III) Cash flows and profitability analysis

Unit: NT\$1,000

Item		FY2018	
Cash flows	Operating revenue	1,506,228	
	Gross profit	330,025	
	Net loss before tax	(16,858)	
Profitability	Return on assets (%)	(0.45)%	
	Return on shareholders' equity (%)	(2.44)%	
	Percentage of paid-in capital (%)	Net operating loss	(1.25)%
		Net loss before tax	(3.36)%
	Net profit margin (%)	(1.63)%	
Loss per share (NT\$)	(0.49)		

(IV) Research and development

Redwood Group has established a technical research and development team to enhance its overall competitiveness. The team is mainly responsible for the research and development of a project prior to its manufacturing. The purpose of testing on the new methods and materials via advanced 3D drawing is to improve production efficiency as well as reduce production defects, making the Company's production services more comprehensive and professional.

II. Overview of 2019 Business Plan

(I) Business directions

- Offering quality crafted products and satisfying services at luxury display locations worldwide.
- Improving project management capabilities and providing customers more comprehensive "one-stop" service.
- Training technical talents actively.
- Developing new customers and expanding the scope of service provided for the existing customers to increase market share.

(II) Expected market conditions and reasons of forecasts

According to the market survey conducted by Bain & Company, the luxury goods market research report 2018 estimated a positive and optimistic sales growth in the personal luxury goods industry by 2025. Europe and the U.S. would account for 50% of the total sales of EUR36.5 billion in the global boutique market, with the annual growth reaching approximately 4% on average. By 2025, the growth rate of market share in Mainland China would increase from 8% to 22%, while Asian and other markets would maintain moderate growth.

(III) Significant production and sales policies

Redwood Group accelerates in setting up overseas operation bases to serve existing customers and explore new brand customers. In 2018, the Company has established subsidiaries in Japan, France and the U.S. with the aim of providing faster services to customers and responding to customer needs. We create value for our customers and enhance the quality of customer service to ensure customers' loyalty to the Redwood Group.

III. Future development strategies

- (I) Developing automated manufacturing processes, improving production efficiency and capacity, and training technical talents.
- (II) Improving project management capabilities and production technologies and providing customers satisfying products and service.
- (III) Expanding new clientele with high growth potential based on the decoration of high-end boutiques.
- (IV) Seeking for targets for mergers and acquisitions complementary to Redwood Group's operation, business, and customer base.

IV. Impacts from external competition, regulatory compliance and macro environment

Unstable macro-economic environment or external business conditions have a certain degree of influence on the global luxury goods market. With countermeasures for downturns and joint efforts from employees and suppliers, Redwood Group continues to perform well. We believe that Redwood Group can achieve outstanding performance in the dire environment and under competitions when we operate and manage our business well and continuously

strengthen our competitive advantages.

With the growth of the luxury market and its mounting pricing pressure, it can be expected that there will be more competitors lowering their prices to secure a project. However, the Company will put particular emphasis on the overall operations and further enhance and improve the product quality, service quality, technology and cost control policies, so as to strengthen our competitive advantages and continue to enjoy our competitive edge, ahead of other competitors.

In response to the increasing awareness of corporate social responsibility (CSR) among the global boutiques, Redwood Group ensures compliance with related ethical standards in the production process and obtains recognition from our customers, so as to further enhance our competitive edge and brand value.

Chairman: Thong-ming Soh

General Manager: Sing-keong Lee

CFO: Ai-ai Siew

Chapter 2 Company Profile

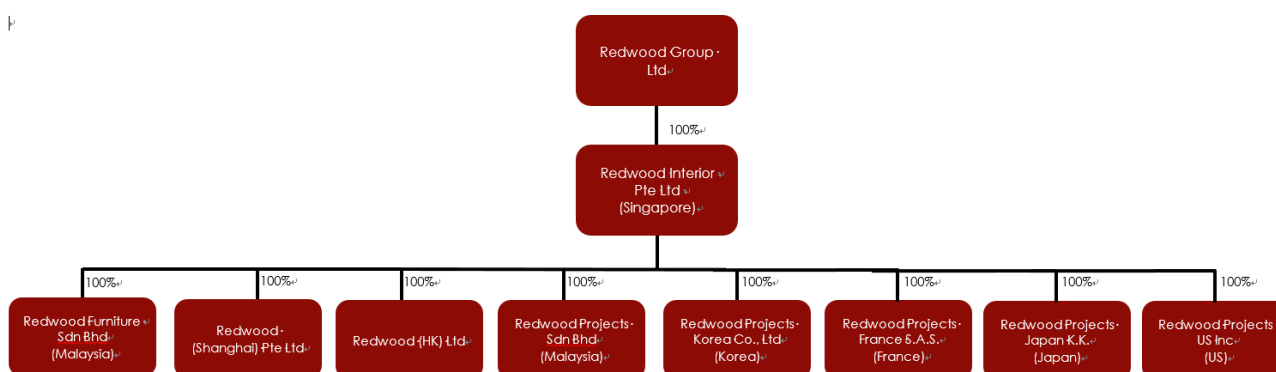
I. Introduction to the Company and the Group

Founded in Cayman Islands on August 20, 2010, Redwood Group Ltd (hereinafter referred to as the Company or Redwood Group) is a holding company that provides high-quality interior fittings for many world's top luxury brands. The Company sets out to expand its clientele which now includes Bvlgari, Cartier, Coach, Gucci, Hermes, Louis Vuitton, Michael Kors, Tiffany & Co, and many more which are the world's most luxurious brands across Asia, Europe and America, and Middle East. With production and quality meeting the requirements of the world's most luxurious brands, the Company is committed to meeting the needs and expectations of its customers.

(I) Date of foundation: August 20, 2010

(II) Group structure

April 30, 2019



Company Name (Abbreviation)	Shareholding Ratio	Country/Region of Foundation
Redwood Group Ltd (Redwood Group)	-	Cayman Islands
Redwood Interior Pte Ltd (Redwood Interior)	100%	Singapore
Redwood Furniture Sdn. Bhd. (Redwood Furniture)	100%	Malaysia
Redwood (Shanghai) Pte Ltd	100%	Shanghai, China
Redwood (HK) Ltd	100%	Hong Kong
Redwood Projects Sdn Bhd	100%	Malaysia
Redwood Projects Korea Co., Ltd	100%	Seoul, South Korea
Redwood Projects France S.A.S	100%	Paris, France
Redwood Projects Japan K.K.	100%	Tokyo, Japan
Redwood Projects US Inc.	100%	USA

(III) Analysis of risks: Please refer to VII. (6) of the Annual Report (#Page178#).

II. Brief History of the Company

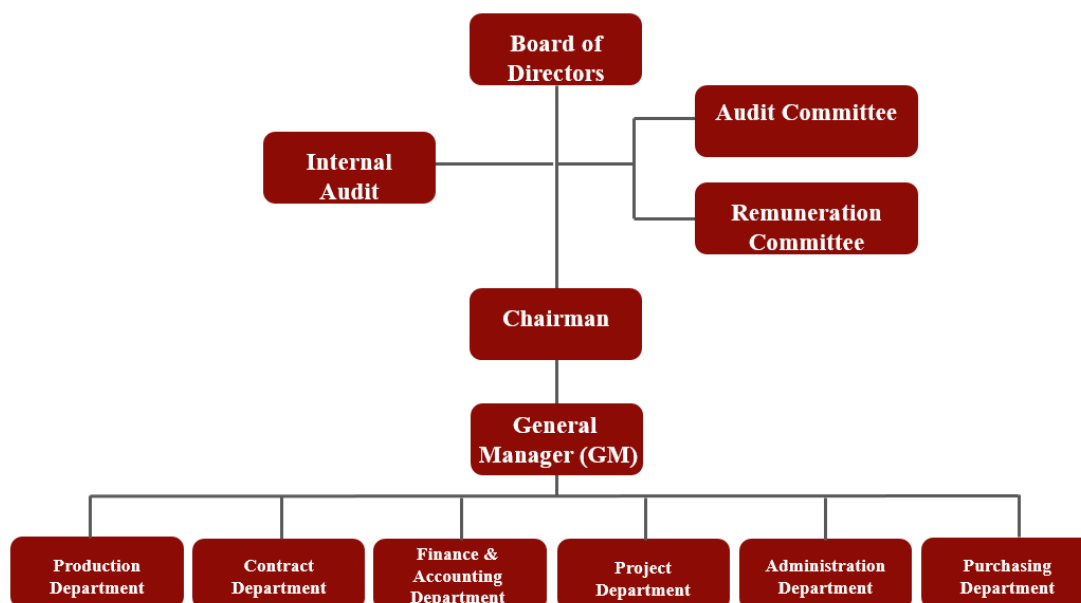
1992	<ul style="list-style-type: none"> ● Redwood Interior Pte Ltd was founded in Singapore.
1997	<ul style="list-style-type: none"> ● The plant and the office were expanded by 1,124 ping (40,000 sq. ft.).
1999	<ul style="list-style-type: none"> ● Redwood Furniture Sdn. Bhd. was founded in Malaysia.
2001	<ul style="list-style-type: none"> ● The Company ranked in the top 500 SMEs by DP Information Group.
2002	<ul style="list-style-type: none"> ● The first decoration project of Redwood Group for the international luxury brand in Singapore was completed. ● The Company ranked in the top 500 SMEs by DP Information Group.
2004~2007	<ul style="list-style-type: none"> ● The Company ranked in the top 500 SMEs by DP Information Group.
2005	<ul style="list-style-type: none"> ● The main business changed to the decoration of the world's high-end boutiques.
2007	<ul style="list-style-type: none"> ● The plant in Malaysia was expanded by 7,026 ping (250,000 sq. ft.).
2008	<ul style="list-style-type: none"> ● The Company ranked in the top 500 SMEs by DP Information Group. ● The government granted tax concessions for import from ASEAN member states. ● The main production base was moved to Malaysia due to capacity expansion and organizational adjustment.
2009	<ul style="list-style-type: none"> ● The Company received the UL48 and UL65 certifications from Underwriters Laboratories Inc. ● The government granted tax concessions for import from Australia, China, India, Japan, South Korea, and New Zealand. ● The Company ranked in the top 500 SMEs by DP Information Group.
2010	<ul style="list-style-type: none"> ● The Company was awarded the Business Superbrands 2010. ● The Company ranked in the top 500 SMEs by DP Information Group. ● The Company's overseas sales ranked in the top 20 among Singapore's top 100 international enterprises. ● Products were sold to more than 29 countries or regions, with an annual turnover of NT\$1.1 billion (approximately SGD50 million). ● Redwood Group Ltd was founded in August. ● Redwood Group Ltd, Redwood Interior Pte Ltd, and Redwood Furniture Sdn. Bhd. exchanged shares separately in December. After the completion of the aforementioned restructuring, the share capital of Redwood Group Ltd became NT\$295,500,000.
2011	<ul style="list-style-type: none"> ● In April, Redwood Group Ltd increased its capital by NT\$22,482,000 from the retained earnings in 2010. ● In April, Redwood Group Ltd increased its capital by NT\$42,018,000 from cash. After these increases in capital, the paid-in capital of Redwood Group Ltd became NT\$360 million. ● The Chairman of the Company was awarded the Successful Entrepreneur Award, Singapore. ● In May, the Company's stocks were officially registered in the emerging stock exchange. ● Redwood Interior Pte Ltd Taiwan Branch was founded in August. ● In November, Redwood (Shanghai) Pte Ltd was founded in Shanghai. ● In December, the Company's stocks were officially listed, becoming the only one luxury brands concept stock in Taiwan. ● In December, Redwood Group Ltd increased its capital by NT\$40 million from cash, and its paid-in capital became NT\$400 million.
2012	<ul style="list-style-type: none"> ● In February, Redwood Europe Ltd and Redwood (HK) Ltd were founded in London and Hong Kong, respectively. ● In June, the shareholders' meeting passed the issuance of stock dividends, where 50 shares per 1,000 shares held were issued free of charge. A total of 2,000,000 shares were issued. As of the end of 2012, the paid-in capital of Redwood Group Ltd was NT\$420 million. ● In November, Redwood Projects Sdn Bhd was founded in Malaysia.

2013	<ul style="list-style-type: none"> ● At the beginning of the year, the Company was awarded BizSAFE certification in Singapore. ● In January, Redwood Interior Pte Ltd Taiwan Branch was renamed. ● In February, the Company obtained the ISO14001 certification. ● In November, the Board of Directors passed the increase in capital of the Company from cash. ● In November, the Company was awarded the Singapore Furniture Industry Award 2013 - The Interior Builder Award (Gold Winner). ● In December, Redwood Interior Pte Ltd increased the capital of Redwood (Shanghai) Pte Ltd by US\$625,000. As of the end of 2013, the paid-in capital of Redwood (Shanghai) Pte Ltd was US\$825,000.
2014	<ul style="list-style-type: none"> ● In January, the Company issued 4,000,000 shares at NT\$50/share to raise NT\$200 million in total, and its paid-in capital became NT\$460 million. ● In June, the shareholders' meeting passed the issuance of stock dividends, where 50 shares per 1,000 shares held were issued free of charge. A total of 2,300,000 shares were issued. As of the end of 2014, the paid-in capital of Redwood Group Ltd was NT\$483 million.
2015	<ul style="list-style-type: none"> ● The plant expansion project of Redwood Furniture Sdn. Bhd. was completed to increase approximately 50,000 sq. ft.
2017	<ul style="list-style-type: none"> ● In June, Redwood Projects Korea Co., Ltd. was founded in Seoul, South Korea.
2018	<ul style="list-style-type: none"> ● In January, Redwood Projects France S.A.S. was founded in Paris, France. ● In February, Redwood Projects Japan K.K. was founded in Tokyo, Japan. ● In October, Redwood Projects US Inc. was founded in Delaware, the U.S.
2019	<ul style="list-style-type: none"> ● In February, the Company involved in the preparation of a new production facility in Singapore.

Chapter 3 Corporate Governance Report

I. Organizational System

(I) The Company's structure



(II) Tasks of principal departments

Department	Tasks
Internal Audit Department	The Internal Audit Department is responsible to assist the Board of Directors check and evaluate the internal control system and give advice on improvement in a timely manner to ensure the effective operation of the internal control system.
Production Department	The Production Department is responsible to produce and manufacture all customized products of Redwood Group.
Contract Department	The Contract Department is responsible to calculate actuarial costs and offer prices for the decoration projects and complete the signing of contracts.
Finance & Accounting Department	<ol style="list-style-type: none"> 1. Responsible for funding plan, fund allocation, control, and management 2. Establish and improve the financial management system and control the Company's overall daily management, annual budgets, and funds. 3. Provide advice and decision-making support on the Group's major investments, loans, and mergers and acquisitions. 4. Perform accounting treatments and provide correct and real-time financial information.
Project Department	<p>The Project Department is responsible to perform contracts, including:</p> <ol style="list-style-type: none"> 1. Control and oversee the progress and quality of projects. 2. Communicate with customers and other departments (such as communicating the design layout with the drawing unit and communicating raw materials and patterns with the production unit).
Administration Department	<ol style="list-style-type: none"> 1. Arrange the meetings of the Board of Directors, shareholders' meetings, general affairs, and stock affairs. 2. Act as the contact window of the Company.
Purchasing Department	The Purchasing Department is responsible to purchase raw materials/materials required for the operation and production and control inventory.

II. Information on the Company's Directors, Supervisors, GM, Vice GMs, Assistant Managers, and the Supervisors of All Divisions and Branches

(I) Directors and supervisors

1. Principal work experience and academic qualifications of directors and supervisors

April 12, 2019/Unit: Shares; %

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption	Term of Service	Commencement Date of First Term	Shares Held upon Assumption		Shares Held Currently		Shares Held Currently by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in the Company and/or in Any Other Company	Spouse or Relative within the Second Degree of Kinship Is a Managerial Officer, Director or Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Singapore	Thong-ming Soh	Male	2016.06.13	3 years	2010.08.20	15,524,125	36.96	16,608,571	33.06	15,456,264	30.76	-	-	<ul style="list-style-type: none"> ● Pei Chun Primary School, Malaysia ● Founder of Redwood Group ● Founder of Redwood Interior Pte Ltd ● Founder of Redwood Furniture Sdn. Bhd. 	<ul style="list-style-type: none"> ● Chairman of Redwood Interior Pte Ltd ● Chairman of Redwood Furniture Sdn. Bhd. ● Chairman of Redwood (Shanghai) Pte Ltd ● Chairman of Redwood (HK) Ltd ● Chairman of Redwood Projects Sdn. Bhd ● Director of Redwood Projects Japan Kabushiki Kaisha ● Director of Redwood Projects France ● Director of Redwood Projects Korea Co., Ltd ● Director of Redwood Projects US Inc. ● Director of DDG Glass Pte Ltd ● Director of DDG Glass Mfg Sdn Bhd 	Director	Lee-mui Teh	Spouse
Director	Singapore	Lee-mui Teh	Female	2016.06.13	3 years	2010.12.10	13,661,374	32.53	15,456,264	30.76	16,608,571	33.06	-	-	<ul style="list-style-type: none"> ● Jementah Secondary School, Malaysia ● Co-founder of Redwood Group Ltd ● Co-founder of Redwood Interior Pte Ltd ● Co-founder of Redwood Furniture Sdn. Bhd. 	<ul style="list-style-type: none"> ● Director of Redwood Interior Pte Ltd ● Director of Redwood Furniture Sdn. Bhd. ● Director of Redwood Projects Sdn Bhd ● Director of Redwood Projects Japan Kabushiki Kisha 	Chairman	Thong-ming Soh	Spouse
Director	Singapore	Pok-chin Lim	Male	2016.06.13	3 years	2010.12.10	105,000	0.25	5,932	0.01	-	-	-	-	<ul style="list-style-type: none"> ● St. Joseph's Secondary School, Singapore ● Representative to the Chairman of Scanteak Company ● Chairman of Hawaii Furnishing Pte Ltd ● Vice Chairman of Council of Asia Pacific Furniture Association ● Chairman of Singapore Furniture Association 	<ul style="list-style-type: none"> ● Representative to the Chairman of Scanteak Company ● Chairman of Hawaii Furnishing Pte Ltd ● Chairman of Yijia International Investment Co., Ltd. ● Director of JP Nelson Holdings 	None	None	None
Director	Singapore	Khay-pin Neo	Male	2016.06.13	3 years	2010.12.10	157,500	0.38	123,900	0.25	-	-	-	-	<ul style="list-style-type: none"> ● Master of Business Administration and Logistics Management, University of Warwick ● Bachelor of Chemical Engineering (first-class honors), University of Surrey ● Executive Vice President of United Overseas Bank 	<ul style="list-style-type: none"> ● Director of Scanteak Company 	None	None	None
Independent Director	Taiwan	Min-chiu Chien	Female	2016.06.13	3 years	2010.12.10	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Master of Accounting, Soochow University ● Auditor of Deloitte & Touche ● CPA of Jing Hua Co., CPAs ● Supervisor of Hokuang Optics Co., Ltd. ● Supervisor of UniLite Corporation ● Independent Director of Tat Hong Equipment Service Co., Ltd. ● Adjunct Lecturer of Accounting Research and Development Foundation 	<ul style="list-style-type: none"> ● CPA of Action & Co., CPAs ● Adjunct Lecturer of Department of Accounting, Soochow University ● Qinmin Enterprise Management Consulting Co., Ltd. ● Director of Tax Attorney Association of New Taipei City ● Managing Supervisor of Taiwan Curio Association ● Supervisor of Coho Technology Co., Ltd. ● Member of the Remuneration Committee of HeySong Corporation 	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption	Term of Service	Commencement Date of First Term	Shares Held upon Assumption		Shares Held Currently		Shares Held Currently by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in the Company and/or in Any Other Company	Spouse or Relative within the Second Degree of Kinship Is a Managerial Officer, Director or Supervisor		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title	Title			Title	Name	Relationship
Independent Director	Singapore	Chin-huat Guok	Male	2016.06.13	3 years	2010.12.10	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Bachelor of International Economics and Finance, Boston University ● Vice President of Nomura Singapore ● Director of Seed Ventures ● Director and CEO of Wee Poh Ltd ● Consultant of JP Nelson Pet Ltd ● Independent Director of Singxpress Ltd ● Independent Director and Chairman of Bukit Sembawang Estates Ltd 	<ul style="list-style-type: none"> ● Director of Campbelltown Investment Holdings Pte Ltd ● Director of Campbelltown Asia Pte Ltd ● Chairman of Star Health Pte Ltd ● Independent Director of Global Palm Resources Holdings Limited ● Independent Director of RE & S holdings Ltd ● Independent Director of Asiatravel.com Holdings Ltd ● Independent Director of Tellus Asset Management Pte Ltd 	None	None	None
Independent Director	Taiwan	Chia-shi Lo	Male	2016.06.13	3 years	2011.03.05	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Master of Electrical Engineering, University of Southern California ● Master of Law, Soochow University ● Attorneys-at-law of Tsar & Tsai Law Firm ● Attorneys-at-law of Chen & Lin Attorneys-at-Law ● Chief Attorneys-at-law of Deloitte Legal ● Director of Excalibur International Marine Corp. 	<ul style="list-style-type: none"> ● Chief Attorneys-at-law of Forum, Legal Professionals ● Director of Shinkong Textile Co., Ltd. ● Independent Director of Shin Kong Life Insurance Co., Ltd. 	None	None	None

Note 1: According to the "Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEX," a company applying for a TPEX primary listing shall choose to establish either an Audit Committee or positions of Supervisors. The Company chose to establish the Audit Committee on April 16, 2011, therefore there is no Supervisor.

2. Major shareholders of the institutional shareholders: None (the Company did not have an institutional shareholder elected as a Director).
3. If major shareholders of the institutional shareholders are corporations, their major shareholders: None.
4. Information on directors

Name	Having More than 5 Years of Work Experience and the Following Professional Qualifications			Meeting the Status of Independence (Note)										Number of Other Listed Companies where the Individual Concurrently Serves as an Independent Director
	Instructor of Commerce, Law, Finance, Accounting or Company Business in Public or Private University/ College or Above	Judge, Prosecutor, Lawyer, CPA or Certified Professional or Technician Required for Company Business	Work Experience in Commerce, Law, Finance, Accounting or Company Business	1	2	3	4	5	6	7	8	9	10	
Thong-ming Soh			✓					✓		✓		✓	✓	-
Lee-mui Teh			✓					✓		✓		✓	✓	-
Pok-chin Lim			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	-
Khay-pin Neo			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	-
Min-chiu Chien	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chin-huat Guok			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3 (Note 11)
Chia-shi Lo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

● Note: Please mark the field "V" if a director meets the following conditions in two years prior to the nomination and during his/her term of service. ✓

- (1) Not employed by the Company or an affiliate.
- (2) Not serving as a Director or Supervisor of the Company or any of the Company's affiliates (this restriction does not apply to Independent Directors of the Company or its parent company or subsidiaries, which have been appointed in accordance with the Securities and Exchange Act or laws of the registered countries).
- (3) Not a natural-person shareholder who holds more than 1% of the issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a business owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives business, legal, financial, or accounting service or consultation from the Company or affiliates; provided that this restriction does not apply to Remuneration Committee members performing their official powers under Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."
- (8) Not a spouse or a relative within the second degree of kinship with any Director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (10) Where the person is not elected in the capacity of the government, a corporation, or a representative thereof as provided in Article 27 of the Company Act.
- (11) Singaporean; all companies where concurrently serving as an Independent Director are foreign companies.

(II) General managers, vice general managers, assistant managers and the supervisors of all divisions and branches

April 12, 2019; Unit: Shares; %

Title	Nationality	Name	Gender	Date of Appointment	Shares Held		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in Other Companies	Spouse or Relative within the Second Degree of Kinship Is a Managerial Officer		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Redwood Group General Manager	Singapore	Sing-keong Lee	Male	2009.06.10	19,153	0.04	-	-	-	-	<ul style="list-style-type: none"> ● Bachelor of Commerce in Honors Business Administration, University of Windsor ● Asia Pacific Business Manager of DuPont Singapore 	<ul style="list-style-type: none"> ● Chief Operations Officer of Redwood Interior Pte Ltd ● GM of Redwood HK Ltd ● GM of Redwood Projects Japan KK ● GM of Redwood Projects France S.A.S ● GM of Redwood Projects Korea Co., Ltd ● GM of Redwood Projects US Inc. 	None	None	None
Redwood Group CFO	Singapore	Ai-ai Siew	Female	2009.03.16	1,025	-	-	-	-	-	<ul style="list-style-type: none"> ● Bachelor of Accounting, Sunway University, Malaysia ● EY Malaysia Auditor 	<ul style="list-style-type: none"> ● CFO of Redwood Interior Pte Ltd ● CFO of Redwood Furniture Sdn. Bhd. ● CFO of Redwood (Shanghai) Pte Ltd ● CFO of Redwood HK Ltd ● CFO of Redwood Projects Sdn. Bhd. ● CFO of Redwood Projects Japan K.K. ● CFO of Redwood Projects France S.A.S ● CFO of Redwood Projects Korea Co., Ltd ● CFO of Redwood Projects US Inc. 	None	None	None
Redwood Group Manager of Finance and Investor Relations	Taiwan	Pin-ching Su	Male	2010.11.15	54	-	-	-	-	-	<ul style="list-style-type: none"> ● EMBA (Accounting), National Taiwan University ● Underwriting Department of Hua Nan Securities ● Shine Wing Taiwan 	<ul style="list-style-type: none"> ● Agent of Redwood Group Ltd in Taiwan for litigious and non-litigious matters ● GM of Redwood (Shanghai) Pte Ltd 	None	None	None
Redwood Group Internal Audit Manager	Taiwan	Tsui-ling Hsu	Female	2013.10.07	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Master of Finance and Management, University of Exeter ● Audit Manager of EY Taiwan 	<ul style="list-style-type: none"> ● Internal Audit Officer of Redwood Interior Pte Ltd ● Internal Audit Officer of Redwood Furniture Sdn. Bhd. ● Internal Audit Officer of Redwood (Shanghai) Pte Ltd ● Internal Audit Officer of Redwood HK Ltd ● Internal Audit Officer of Redwood Projects Sdn. Bhd. ● Internal Audit Officer of Redwood Projects Japan KK ● Internal Audit Officer of Redwood Projects France S.A.S ● Internal Audit Officer of Redwood Projects Korea Co., Ltd ● Internal Audit Officer of Redwood Projects US Inc. 	None	None	None
Redwood Interior Pte Ltd Senior Manager of Contract Department	Singapore	Teck-ling Tey	Male	1996.04.01	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Bachelor of Architectural Design, Royal Melbourne Institute of Technology ● Contract Actuary of Davis Langdon & Seah Singapore Pte Ltd 	None	None	None	None
Redwood Interior Pte Ltd Project Director	Singapore	Chee-king Chow	Male	1997.05.05	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Woodsville Secondary School, Singapore ● Foreman of Production Department of Soh Brothers Furniture Pte Ltd 	None	None	None	None
Redwood Interior Pte Ltd Manager of Purchasing Department	Singapore	Eng-soon Tay	Male	2007.03.12	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Newtown High School, Singapore ● Manager of Purchasing Department of Uni-Spring Con-Trad Ltd 	<ul style="list-style-type: none"> ● Manager of Purchasing Department of Redwood Furniture Sdn. Bhd. 	None	None	None
Redwood Interior Production Director	Singapore	Wing-heng Chan (Note)	Male	1998.10.01	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Saint Paul's Institution, Malaysia ● Foreman of Production Department of American Marine Inc Sumyip Interior Renovation 	<ul style="list-style-type: none"> ● Production Director Redwood Furniture Sdn. Bhd. 	None	None	None

Title	Nationality	Name	Gender	Date of Appointment	Shares Held		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in Other Companies	Spouse or Relative within the Second Degree of Kinship Is a Managerial Officer		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Redwood Interior Pte Ltd Production Department Senior Manager	Singapore	Tien-fok Wong	Male	2003.02.15	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Interior Design of Palin School of Arts & Design, Singapore ● Production Department (Woodworking Division) of Redwood Furniture Sdn. Bhd. 	<ul style="list-style-type: none"> ● Senior Manager of Production Department of Redwood Furniture Sdn. Bhd. 	None	None	None
Redwood Furniture Sdn. Bhd. Chief Operating Officer	Malaysia	Lay-guat Soh	Female	1996.08.01	-	-	-	-	-	-	<ul style="list-style-type: none"> ● Bachelor of Business Administration, Malaysia University of Science & Technology ● Accounting Manager of Ya Ee Embroidery Sdn Bhd 	<ul style="list-style-type: none"> ● Chief Operating Officer of Redwood Projects Sdn Bhd 	Chairman	Thong-ming Soh	Sibling

Note: On October 1, 2018, Wing-heng Chan was reappointed to oversee the construction of a new production facility.

III. Remuneration Paid during the Most Recent Year to the Directors, Supervisors, GMs , and Vice GMs

(I) Remuneration paid to directors (including independent directors)

Unit: NT\$1,000

Title	Name	Remuneration Paid to Director								Ratio of Total Remuneration (A, B, C, and D) to Net Income (%) (Note 9)		Remuneration Paid to Concurrent Employee				Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income (%) (Note 9)		Remuneration Paid to Director from Invested Companies Other than Subsidiaries (Note 10)			
		Remuneration (A) (Note 1)		Severance Pay (B)		Director Bonus (C) (Note 2)		Allowances (D) (Note 3)		Ratio of Total Remuneration (A, B, C, and D) to Net Income (%) (Note 9)		Salary, Bonus and Allowances (E) (Note 4)		Severance Pay (F)		Employee Bonus (G) (Note 5)					
		The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)		
Chairman	Thong-ming Soh																				
Director	Lee-mui Teh																				
Director	Pok-chin Lim																				
Director	Khay-pin Neo	4,440	4,440	-	-	-	-	-	-	18.14%	18.14%	-	13,871	714	-	-	-	-	18.14%	77.71%	None
Independent Director	Min-chiu Chien																				
Independent Director	Chin-huat Guok																				
Independent Director	Chia-shi Lo																				

In addition to the above, remuneration received by Directors in the most recent year for providing service (such as serving as a non-employee consultant) for companies in the financial statements: 0.

Remuneration Range Table

Remuneration Range for Directors	Name of Directors			
	Aggregate of A, B, C, and D		Aggregate of A, B, C, D, E, F, and G	
	The Company (Note 7)	Companies in the Consolidated Financial Statements (Note 8) H	The Company (Note 7)	Companies in the Consolidated Financial Statements (Note 8) I
Under NT\$ 2,000,000	Thong-ming Soh, Pok-chin Lim, Khay-pin Neo, Min-chiu Chien, Chin-huat Guok, Chia-shi Lo, and Lee-mui Teh	Thong-ming Soh, Pok-chin Lim, Khay-pin Neo, Min-chiu Chien, Chin-huat Guok, Chia-shi Lo, and Lee-mui Teh	Thong-ming Soh, Pok-chin Lim, Khay-pin Neo, Min-chiu Chien, Chin-huat Guok, Chia-shi Lo, and Lee-mui Teh	Pok-chin Lim, Khay-pin Neo, Min-chiu Chien, Chin-huat Guok, and Chia-shi Lo
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	Lee-mui Teh
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	-	Thong-ming Soh
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$55,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7 directors	7 directors	7 directors	7 directors

Note 1: Remuneration paid to Directors in the most recent year (including salary, job allowance, severance pay, bonuses, and incentive fee).

Note 2: Planned payout of bonuses for Directors approved by the Board of the Directors in the most recent year should be specified.

Note 3: Business expenses paid to Directors in the most recent year (including travel expense, special expense, allowances, accommodation, and company car). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments should be disclosed. If a driver is provided, remuneration paid to the driver should be disclosed in the note; however, such remuneration should be excluded.

Note 4: Remuneration for Directors concurrently holding positions (including the GM, Vice GMs, other managerial officers, or employees) in the Company in the most recent year should include salary, job allowance, severance pay, bonus, incentive fee, travel expense, special expense, allowances, accommodation, and company car. If housing,

vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments should be disclosed. If a driver is provided, remuneration paid to the driver should be disclosed in the note; however, such remuneration should be excluded. Any salary listed under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and cash capital increase by stock subscription should also be included in remuneration.

- Note 5: Employee bonuses (including stock and cash) for Directors concurrently holding positions (including the GM, Vice GMs, other managerial officers, or employees) in the Company in the most recent year; planned payout of bonuses for employees approved by the Board of the Directors in the most recent year should be specified.
- Note 6: Total remuneration paid to the Company's Directors by all companies (including the Company) listed in the consolidated financial statements should be disclosed.
- Note 7: The name of a Director to whom the total remuneration is paid by the Company should be disclosed in the corresponding remuneration range.
- Note 8: The name of a Director to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements should be disclosed in the corresponding remuneration range.
- Note 9: Net income refers to that in the most recent year; if IFRSs are adopted, net income refers to that in the latest parent only or individual financial statements.
- Note 10: a. Remuneration received by Directors of the Company from invested companies other than subsidiaries should be specified.
- b. If directors of the Company receive remuneration from invested companies other than subsidiaries, the remuneration received by the directors of the Company from invested companies other than subsidiaries should be included in Column I in the Remuneration Range Table, and the name of the column should be changed to "All Invested Companies."
- c. Remuneration in this case refers to remuneration, bonuses (including employee, Director, or Supervisor bonuses), and allowances received by Directors of the Company as the Directors, Supervisors, or managerial officers of invested companies other than subsidiaries.
- * The concept of remuneration disclosed in the table is different from that stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(II) Remuneration paid to Supervisors: The Company does not have Supervisors, therefore this is not applicable.

(III) Remuneration paid to GMs and Vice GMs (Note)

Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Employee Bonus (D) (Note 3)				Ratio of Total Remuneration (A, B, C, and D) to Net Income (%)		Remuneration Paid to Director from Invested Companies Other than Subsidiaries (Note 8)
		The Company	Companies in the Consolidated Financial Statements (Note 4)	The Company	Companies in the Consolidated Financial Statements (Note 4)	The Company	Companies in the Consolidated Financial Statements (Note 4)	The Company		Companies in the Consolidated Financial Statements (Note 4)		The Company	Companies in the Consolidated Financial Statements (Note 4)	
								Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends			
GM of Redwood Group Ltd	Sing- keong Lee	1,608	6,321	76	543	134	498	-	-	-	-	7.43%	30.07%	None
GM of Redwood Furniture Sdn. Bhd	Lay-guat Soh													
GM of Redwood (Shanghai) Pte Ltd	Pin-ching Su													

Note: The Company does not have Vice GMs.

Remuneration Range Table

Remuneration Range for GMs and Vice GMs.	Name of GMs and Vice GMs.	
	The Company (Note 5)	Companies in the Consolidated Financial Statements (Note 6) E
Under NT\$ 2,000,000	Pin-ching Su	Pin-ching Su and Lay-guat Soh
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	Sing-keong Lee
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\$55,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	1 General Manager	3 General Managers

Note 1: Salary, job allowance, and severance pay paid to GMs and Vice GMs in the most recent year.

Note 2: Bonuses, incentive fee, travel expense, special expense, allowances, accommodation, and company car paid or offered to GMs and Vice GMs in the most recent year. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments should be disclosed. If a driver is provided, remuneration paid to the driver should be disclosed in the note; however, such remuneration should be excluded. Any salary listed under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and cash capital increase by stock subscription should also be included in remuneration.

Note 3: Planned payout of employee bonuses (including stock and cash) for GMs and Vice GMs approved by the Board of the Directors in the most recent year should be specified. Net income refers to that in the most recent year; if IFRSs are adopted, net income refers to that in the latest parent only or individual financial statements.

Note 4: Total remuneration paid to the Company's GM and Vice GMs by all companies (including the Company) listed in the consolidated financial statements should be disclosed.

Note 5: The name of the GM or Vice GM to whom the total remuneration is paid by the Company should be disclosed in the corresponding remuneration range.

Note 6: The name of the GM or ViceGM to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements should be disclosed in the corresponding remuneration range.

Note 7: Net income refers to that in the most recent year; if IFRSs are adopted, net income refers to that in the latest parent only or individual financial statements.

Note 8: a. Remuneration received by the GM and Vice GMs of the Company from invested companies other than subsidiaries should be specified.

b. If the GM and Vice GMs of the Company receive remuneration from invested companies other than subsidiaries, the remuneration received by the GM and Vice GMs of the Company from invested companies other than subsidiaries should be included in Column E in the Remuneration Range Table, and the name of the column should be changed to "All Invested Companies."

c. Remuneration in this case refers to remuneration, bonuses (including employee, Director, or Supervisor bonuses), and allowances received by the GM and Vice GMs of the Company as the Directors, Supervisors, or managerial officers of invested companies other than subsidiaries.

* The concept of remuneration disclosed in the table is different from that stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(IV) Managerial officers receiving employee bonuses

Unit: NT\$1,000

	Title	Name	Stock Dividends	Cash Dividends	Total	Ratio of Total Employee Bonus to Net Income (%)
Managerial Officer	General Manager(GM)	Sing-keong Lee	-	-	-	-
	CFO	Ai-ai Siew				
	Manager of Finance and Investor Relations	Pin-ching Su				
	Internal Audit Manager	Tsui-ling Hsu				
	Senior Manager of Contract Department	Teck-ling Tey				
	Project Director	Chee-king Chow				
	Manager of Purchasing Department	Eng-soon Tay				
	Production Director	Wing-heng Chan				
	Senior Manager of Production Department	Tien-fok Wong				
	Chief Operating Officer	Lay-guat Soh				

(V) Separately compare and describe total remuneration, as a percentage of net income stated in the parent only or individual financial statements, as paid by the Company and by all companies in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, GM, and Vice GMs of the Company, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to business performance and future risk exposure:

1. Total remuneration, as a percentage of net income stated in the parent only or individual financial statements, as paid by the Company and by all other companies included in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, GM, and Vice GMs of the Company

Unit: NT\$1,000

	FY2017				FY2018			
	Total Remuneration		Percentage of Net Income (%)		Total Remuneration		Percentage of Net Income (%)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Director	7,826	23,711	4.6%	13.94%	4,440	19,025	18.14%	77.71%
GM	1,198	6,086	1.13%	3.58%	1,818	7,362	7.43%	30.07%
Total	9,744	29,797	5.73%	17.52%	6,258	26,387	25.57%	107.78%

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

(1) Remuneration paid to directors of the Company is based on the Articles of Incorporation. As managerial officers are responsible for the management and operation of the Company, their remuneration includes salaries, bonuses, and

employee bonuses in accordance with the internal salary system; remuneration is paid to each managerial officer based on the years of service, work experience, performance, and contribution to the Company as well as future risks and standards of the industry.

- (2) As of the date of publication of the Annual Report, the Company has not appointed Supervisors and Vice GMs.

IV. State of the Company's Implementation of Corporate Governance

- (I) State of operations of the Board of Directors

A total of five (5) meetings of the Board of Directors were held in 2018, and the attendance is as follows:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Attendance Rate (%)	Remark
Chairman	Thong-ming Soh	5	5	100%	Reelected on June 13, 2016
Director	Lee-mui Teh	5	5	100%	Reelected on June 13, 2016
Director	Pok-chin Lim	3	2	60%	Reelected on June 13, 2016
Director	Khay-pin Neo	5	5	100%	Reelected on June 13, 2016
Independent Director	Min-chiu Chien	5	5	100%	Reelected on June 13, 2016
Independent Director	Chin-huat Guok	5	5	100%	Reelected on June 13, 2016
Independent Director	Chia-shi Lo	4	1	80%	Reelected on June 13, 2016

Others:

- I. The date, term, proposals of the Board meetings, opinions of all Independent Directors, and the Company's handling of such opinions should be specified if one of the following circumstances occurs:

- (I) Items listed in Article 14-3 of the Securities and Exchange Act:

- (1) The 12th meeting of the 3rd-term Board of Directors on March 20, 2018

Proposals:

- (a) Amendments to the Company's Memorandum and Articles.
(b) Making of new endorsements/guarantees by the Company.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

- (2) The 14th meeting of the 3rd-term Board of Directors on June 19, 2018

Proposals:

- (a) Lending of funds between the Company and subsidiaries/sub-subsidiaries in 2018.
(b) Formulation of internal control regulations of the sub-subsidiaries.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

- (3) The 15th meeting of the 3rd-term Board of Directors on August 10, 2018

Proposals:

- (a) Amendments to the Company's Policy for Endorsement and Guarantee.
(b) Making of new endorsements/guarantees by the Company.
(c) Amendments to the Policy for Financial Derivatives Transactions of the Company and subsidiaries/sub-subsidiaries.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(4) The 16th meeting of the 3rd-term Board of Directors on November 10, 2018

Proposals:

(a) Changes in the Company's endorsements/guarantees.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(II) Any recorded or written Board resolutions to which independent directors have an objection or reservation that should be noted in addition to the above: None.

II. Regarding the recusal of Directors from voting due to the conflict of interests, the name of directors, proposals, reasons for recusal, and results of voting should be specified:

(1) The 13th meeting of the 3rd-term Board of Directors on May 7, 2018

Proposal: Distribution of 2017 year-end bonuses to managerial officers of Redwood Group.

Recusal: Chairman Thong-ming Soh and Director Lee-mui Teh concurrently acted as the managerial officers of subsidiaries, so they recused themselves from the discussion and voting to avoid the conflict of interests. Chair of the Remuneration Committee & Independent Director Chin-huat Guok acted for the Chairman and consulted other directors present. After the discussion, the proposal was passed without objection.

III. Objectives and results of strengthening the functions of the Board of Directors (such as establishing the Audit Committee and improving the transparency of information) in the current year and the most recent year:

(I) Strengthening the functions of the Board of Directors: The Company has established the Rules and Procedures of Board of Director Meetings and the Self-Evaluation or Peer Evaluation of the Board of Directors, based on which the Board of Directors operates and is evaluated. To improve corporate governance, the Company has also appointed three independent directors and established the Audit Committee and the Remuneration Committee.

(II) Improving the transparency of information: The Company has a spokesman and an acting spokesman to reply to external inquiries. A company website is also in place to provide information on corporate governance, corporate social responsibility, financial information, Board of Directors, and shareholders' meetings as well as the contact information for investors.

(II) State of operations of the Audit Committee

In 2018, the Audit Committee held four (4) meetings, and the attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Attendance Rate (%)	Remark
Chair	Min-chiu Chien	4	-	100%	Reelected on June 13, 2016
Member	Chin-huat Guok	4	-	100%	Reelected on June 13, 2016
Member	Chia-shi Lo	4	-	100%	Reelected on June 13, 2016

Others:

I. The date, term, proposals of the Board meetings, opinions of all Independent Directors, and the Company's handling of such opinions should be specified if one of the following circumstances occurs:

(I) Items listed in Article 14-5 of the Securities and Exchange Act:

(1) The 10th meeting of the 3rd-term Audit Committee on March 20, 2018

Proposal:

(a) 2017 consolidated financial statements and business report of the Company.

(b) Making of new endorsements/guarantees by the Company.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(2) The 11th meeting of the 3rd-term Audit Committee on June 19, 2018

Proposals:

(a) Lending of funds between the Company and subsidiaries/sub-subsidiaries in 2018.

(b) Formulation of internal control regulations of the sub-subsidiaries.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(3) The 12th meeting of the 3rd-term Audit Committee on August 10, 2018

Proposals:

(a) Consolidated financial statements of the Company for the first half of 2018.

(b) Amendments to the Company's Policy for Endorsement and Guarantee.

(c) Making of new endorsements/guarantees by the Company.

(d) Amendments to the Policy for Financial Derivatives Transactions of the Company and subsidiaries/sub-subsidiaries.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(4) The 13th meeting of the 3rd-term Audit Committee on November 8, 2018

Proposals:

(a) Changes in the Company's endorsements/guarantees.

(b) Replacement of the CPAs of the Company.

(c) Evaluation of the independence of the CPAs.

Opinions of all Independent Directors and the Company's handling of such opinions: Three Independent Directors passed the proposals without objection.

(II) Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee in addition to the above: None.

II. Regarding the recusal of Independent Directors from voting due to the conflict of interests, the name of Independent Directors, proposals, reasons for recusal, and results of voting should be specified: None.

III. Communication between Independent Directors, the internal audit officer, and CPAs (including important matters, methods, and results of the Company's finance and operations):

(I) The CFO and internal audit managers of the Company provide Independent Directors the

Company's financial and audit reports on a regularly basis and report the latest finance and audit results through the Audit Committee. If independent directors have any doubts about the internal control, finance, or audits of the Company, they may communicate with the heads of related departments immediately to ensure correction and improvement.

- (II) The Audit Committee of the Company may invite the CPAs to report the results of audits in the meeting of the Audit Committee whenever necessary.

- (III) 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

Item	State of the Company's Implementation		Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason	
	Yes	No		
I. Does the Company formulate and disclose the Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has formulated the "Corporate Governance Best Practice Principles", the "Ethical Corporate Management Best Practice Principles" and related codes of practice (such as the "Corporate Social Responsibility Best Practice Principles", the internal system, the enforcement rules for internal audits, and the "Procedure for Preventing Insider Trading") and disclosed such policies on the company website.	No material departure.
II. Shareholding Structure & Shareholders' Rights		V		
(I) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedure?		V	(I) Although the Company has not clearly established an internal procedure for handling shareholder inquiries, the Company has appointed a spokesman and a professional stock transfer agency to handle shareholder proposals or disputes. The spokesman's e-mail and telephone number are available on the company website.	(I) No material departure.
(II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company controls the major shareholders and persons exercising ultimate control over those major shareholders by reviewing the changes in equity during the monthly equity transaction declaration or on the stock book closure date.	(II) No material departure.
(III) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?	V		(III) The Company enforces risk control and firewall systems in accordance with the "Procedures for Having Business Dealings with Related Parties, Specific Companies, and Affiliates", the "Procedures for Supervision of Subsidiaries", the "Procedures for Lending Funds to Other Parties", and the "Procedures for Endorsement and Guarantee."	(III) No material departure.
(IV) Does the Company establish an internal policy to prohibit insiders from using	V		(IV) The Company has formulated the Procedure for Preventing Insider Trading to regulate the behavior of insiders trading in securities.	(IV) No material departure.

Item	State of the Company's Implementation		Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason
	Yes	No	
undisclosed information to buy and sell securities in the market?			
III. Composition and Responsibilities of the Board of Directors			
(I) Does the Company formulate and implement the policy for the diversification of the Board members?	V		(I) No material departure.
(II) Does the Company establish other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee?		V	(II) Other functional committees will be established based on the business development of the Company.
(III) Does the Company formulate the regulations and methods for the performance evaluation of the Board of Directors and evaluate the performance of the Board of Directors every year?	V		(III) No material departure.
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		(IV) No material departure.

Item	State of the Company's Implementation		Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason
	Yes	No	
			<p>significant property interests, directly or indirectly, with the Company; (c) whether the CPAs have business activities with the Directors or managerial officers of the Company that may affect their independence; (d) whether the CPAs receive goods of great value (beyond general social etiquette) from the Company/Directors/managerial officers; or (e) whether the CPAs have other violations of the independence or unsolved conflicts.</p>
<p>IV. Does the Company establish the exclusively (or concurrently) dedicated corporate governance unit or personnel to be in charge of corporate governance matters (including but not limited to furnishing information required for business execution by Directors and Supervisors, handling matters relating to the Board meetings and shareholders' meetings according to laws, handling company registration and change registration, and producing minutes of the Board meetings and shareholders' meetings)?</p>	V		<p>As a foreign company primarily listed on TPEX, the Company has appointed a professional secretary company and a managerial officer to handle matters relating to the Directors, the Board meetings and shareholders' meetings according to the laws of Taiwan.</p> <p>No material departure.</p>
<p>V. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholder zone on the company website to respond to corporate social responsibility issues in a proper manner?</p>	V		<p>The Company has appointed a spokesman and an acting spokesman and an agent in Taiwan for litigious and non-litigious matters to respond to investors and other stakeholders with respect to inquiries about the operation of the Company or other issues. In addition, investors may visit the Interested Parties zone under Investor Relations on the company website and contact the Company at any time by phone, letter, fax, or E-mail.</p> <p>No material departure.</p>
<p>VI. Does the Company appoint a professional stock transfer agency to handle matters relating to the shareholders' meetings?</p>	V		<p>The Company has appointed KGI Securities Co. Ltd to handle stock affairs and matters relating to the shareholders' meetings.</p> <p>No material departure.</p>
<p>VII. Disclosure of Information (I) Does the Company establish a website to disclose information on financial operations and corporate governance?</p>	V		<p>(I) In addition to the Chinese version (http://www.redwoodgroup.co/cn/investors-cn.html), the Company has set up the English company website (http://www.redwoodgroup.co/cn/about-us-en.html) to disclose related information. Related company information is also reported or announced on the Market Observation Post System (MOPS)</p> <p>(I) No material departure.</p>

Item	State of the Company's Implementation		Summary	Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason
	Yes	No		
(II) Does the Company set up other channels of information disclosure (such as setting up an English company website, appointing the designated person to collect and disclose information, appointing a spokesman, and publishing investor conferences on the company website)?	V		<p>according to the laws.</p> <p>(II) The Company has appointed an agent in Taiwan for litigious and non-litigious matters to collect and disclose material information of the Company; in addition, the Company holds investor conferences from time to time to improve the transparency of information.</p>	(II) No material departure.
VIII. Does the Company provide other material information that may improve the understanding of corporate governance of the Company (including but not limited to employee rights, employee care, investor relations, supplier relationship, stakeholder rights, training of directors and supervisors, implementation of risk management policy and risk assessment standards, implementation of customer policy, and participation in liability insurance of Directors and Supervisors)?	V		<p>(I) Employee rights and employee care: The Company and its subsidiaries/sub-subsidiaries offer/implement employee rights in accordance with the local laws and have good labor-management relations.</p> <p>(II) Investor relations: The Company has an unit in charge of investor relations, which discloses/explains material information of the Company to investors or holds investor conferences from time to time to improve the transparency of information.</p> <p>(III) Supplier relationship: The Purchasing Department follows the purchase-related regulations and forms a long-term relationship with suppliers based on the principles of mutual trust, reciprocity, and sustainable development.</p> <p>(IV) Stakeholder rights: The Company has appointed an agent in Taiwan for litigious and non-litigious matters to respond to stakeholders with respect to inquiries about the operation of the Company or their rights and interests. In addition, investors may visit the company website and contact the Company at any time by phone, letter, fax, or E-mail.</p> <p>(V) Training of directors and supervisors: The directors of the Company have attended training courses on corporate governance according to the regulations. For more information on training courses, refer to the Market Observation Post System→Corporate Governance→Attendance at the Board Meetings and Training of Directors and Supervisors.</p> <p>(VI) Implementation of risk management policy and risk assessment standards: The Company always takes preventive action against risks. The internal control systems and policies have been formulated by the Company and its subsidiaries/sub-subsidiaries. The Internal Audit Department conducts internal audits and</p>	No material departure.

Item	State of the Company's Implementation		Summary	Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason														
	Yes	No																
			<p>prepares the audit reports on a regular basis and from time to time. The Company also takes appropriate hedging measures for exchange rates or financial derivatives and reviews its financial structure at any time to keep its finances robust.</p> <p>(VII) Implementation of customer policy: When receiving customer complaints, the Company communicates with customers immediately to understand their needs and improve mutual trust.</p> <p>(VIII) Participation in liability insurance of Directors and Supervisors: The Company purchases liability insurance for all directors every year. In 2018 (from June 1, 2018 to May 31, 2019), the liability insurance for directors and key managerial officers (including key employees of Redwood Group) totaled US\$3 million. The coverage contained 31 items, mainly about the liability for compensation for indiscretions. The participation in liability insurance was expected to reduce and distribute major damage caused by the indiscretions of Directors and key managerial officers to the Company and shareholders.</p>															
<p>IX. Describe any improvements done and plans for future improvements based on the results of the latest corporate governance evaluation conducted by the TWSE Corporate Governance Center.</p> <p>Results of the 5th Corporate Governance Evaluation and improvements are as follows:</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>Item to Be Improved</th> <th>Improvement Done</th> <th>Plans for Future Improvement</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Enhancing the Structure and Functions of the Board of Directors</td> <td>2.2 Does the Company formulate and implement the policy for the diversification of the Board members and disclose the status of implementation in the annual reports and on the company website?</td> <td>No</td> <td>The Company has formulated the policy for the diversification of the Board members, but has not disclosed it on the company website.</td> </tr> <tr> <td>2.11 Does the Company disclose the CPAs' opinions on the major Board resolutions and the Company's handling of the opinions of the Audit Committee in the annual reports?</td> <td>Yes</td> <td></td> </tr> <tr> <td>2.13 Does the Remuneration Committee meet at least twice every year and the members of the Remuneration Committee attend at least twice?</td> <td>Yes</td> <td></td> </tr> </tbody> </table>					Indicator	Item to Be Improved	Improvement Done	Plans for Future Improvement	Enhancing the Structure and Functions of the Board of Directors	2.2 Does the Company formulate and implement the policy for the diversification of the Board members and disclose the status of implementation in the annual reports and on the company website?	No	The Company has formulated the policy for the diversification of the Board members, but has not disclosed it on the company website.	2.11 Does the Company disclose the CPAs' opinions on the major Board resolutions and the Company's handling of the opinions of the Audit Committee in the annual reports?	Yes		2.13 Does the Remuneration Committee meet at least twice every year and the members of the Remuneration Committee attend at least twice?	Yes	
Indicator	Item to Be Improved	Improvement Done	Plans for Future Improvement															
Enhancing the Structure and Functions of the Board of Directors	2.2 Does the Company formulate and implement the policy for the diversification of the Board members and disclose the status of implementation in the annual reports and on the company website?	No	The Company has formulated the policy for the diversification of the Board members, but has not disclosed it on the company website.															
	2.11 Does the Company disclose the CPAs' opinions on the major Board resolutions and the Company's handling of the opinions of the Audit Committee in the annual reports?	Yes																
	2.13 Does the Remuneration Committee meet at least twice every year and the members of the Remuneration Committee attend at least twice?	Yes																

Item	State of the Company's Implementation		Summary	Departure from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the Reason
	Yes	No		
<p>Improving Information Transparency</p> <p>Implementing Corporate Social Responsibility</p>	2.21	Does the Company appoint the designated personnel to be in charge of corporate governance matters and disclose the operation and performance of the personnel in the annual reports and on the company website?	No	The Company has not appointed the designated personnel to be in charge of corporate governance matters. In practice, the Company has a designated managerial officer to be in charge of the Board of Directors and corporate governance matters.
	2.22	Is the policy or procedure for the performance evaluation of the Board of Directors formulated by the Company approved by the Board of Directors, and does the Board of Directors conduct the self-evaluation at least once over year and disclose the results of the evaluation on the company website or in the annual report?	No	The results of the evaluation have not been disclosed on the company website or in the annual report.
	3.17	Does the company website disclose information on the Company's finance, operations, and corporate governance?	No	Information on corporate governance has not been disclosed on the company website.
	4.4	Does the company website or the annual report disclose the identity of stakeholders, issues of concern, and communication channels?	No	Information on stakeholders has not been disclosed on the company website.
	4.15	Does the company website or the annual report disclose the "Ethical Corporate Management Best Practice Principles" formulated by the Company to specify the methods and plans for preventing unethical conduct?	No	The Ethical Corporate Management Best Practice Principles have not been disclosed on the company website.

(IV) Composition, duties, and operation of the Remuneration Committee

On August 24, 2011, the Board of Directors of the Company resolved to establish the Remuneration Committee and passed the Remuneration Committee Charter and the members of the 1st-term Remuneration Committee. Currently, the 3rd-term Remuneration Committee consists of 3 Independent Directors, who are responsible to review the salary or remuneration of the Directors and executives of the Company and give advice to the Board of Directors for resolution.

1. Information on the members of the Remuneration Committee

Identity	Qualifications Name	Having More than 5 Years of Work Experience and the Following Professional Qualifications			Meeting the Status of Independence (Note 1)								Number of Other Listed Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remark
		Instructor of Commerce, Law, Finance, Accounting or Company Business in Public or Private University/College or Above	Judge, Prosecutor, Lawyer, CPA or Certified Professional or Technician Required for Company Business	Work Experience in Commerce, Law, Finance, Accounting or Company Business	1	2	3	4	5	6	7	8		
Independent Director	Chin-huat Guok			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Min-chiu Chien	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chia-shi Lo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please mark the field "V" if a member meets the following conditions in two years prior to the nomination and during his/her term of service. ✓

- (1) Not employed by the Company or an affiliate.
- (2) Not serving as a Director or Supervisor of the Company or any of the Company's affiliates (this restriction does not apply to independent directors of the Company or its parent company or subsidiaries, which have been appointed in accordance with the Securities and Exchange Act or laws of the registered countries).
- (3) Not a natural-person shareholder who holds more than 1% of the issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a business owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives business, legal, financial, or accounting service or consultation from the Company or affiliates.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. State of operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Term of service: June 13, 2016 ~ June 12, 2019. In 2018, the Remuneration Committee held 2 meetings, and the attendance of the members is as follows:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Attendance Rate (%)	Remark
Convener	Chin-huat Guok	2	2	100%	Reelected on June 13, 2016
Member	Min-chiu Chien	2	2	100%	Reelected on June 13, 2016
Member	Chia-shi Lo	1	1	50%	Reelected on June 13, 2016

Others:

I. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason): None.

II. If the resolutions to which the members of the Remuneration Committee have an objection or reservation are recorded or written, please state the date and session of the meeting of the Remuneration Committee, proposals, opinions of the members, and handling of the opinions: None.

(V) State of the Company's performance of corporate social responsibility

Item	State of the Company's Implementation			Any Departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
I. Implementing Corporate Governance				
(I) Does the Company set out corporate social responsibility (CSR) policies or systems and review their effectiveness?	V		(I) The Company has formulated the "Corporate Social Responsibility Best Practice Principles," which emphasize the fulfillment of corporate social responsibility, economic, environmental, and social advancement, and sustainable development through ethical management. When pursuing the sustainable development and profitability, the Company takes into account environmental, social, and corporate governance factors and incorporates them into the management and operation. The Administration Department is responsible to arrange every department to implement corporate governance, employee rights, environmental protection, and social engagement.	(I) No material departure.
(II) Does the Company conduct CSR training on a regular basis?		V	(II) The Company organizes internal training or meetings from time to time to strengthen the employees' awareness of CSR.	(II) No material departure.
(III) Does the Company establish an exclusively (or concurrently) dedicated unit to be in charge of implementing corporate social responsibility and authorize the management to supervise and report to the Board of Directors?	V		(III) The Administration Department is responsible to arrange every department to propose and implement CSR policies or systems.	(III) No material departure.
(IV) Does the Company adopt reasonable remuneration policies, combine the employee performance evaluation system with corporate social responsibility policies, and establish a clear and effective incentive and discipline system?	V		(IV) The Company has formulated the "Policy for Performance Evaluation", the "Policy for Distribution of Performance Bonus", and "Policy for Distribution of Year-end Bonus" and incorporated these policies into the employee performance evaluation system to establish a clear incentive and discipline system.	(IV) No material departure.
III. Fostering a Sustainable Environment				
(I) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		(I) The factories continue to promote eco-friendly materials and the waste (wood and metal) recycling program.	(I) No material departure.

Item	State of the Company's Implementation			Any Departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(II) Does the Company establish proper environment management systems based on the characteristics of its industries?	V		(II) The Company has obtained the ISO14001 (environmental management system) and BizSAFE (occupational safety and health) certification.	(II) No material departure.
(III) Does the Company monitor the impact of climate change on its operations, conduct a greenhouse gas inventory, and establish company strategies for energy conservation and carbon and greenhouse gas reduction?	V		(III) The Company implements energy conservation and carbon reduction and reduces greenhouse gas in the daily operation of offices and factories; in addition, large-scale vacuum plating equipment is installed to avoid pollution and damage to the environment and water.	(III) No material departure.
III. Preserving Public Welfare				
(I) Does the Company formulate appropriate management policies and procedures according to related laws and regulations and the International Bill of Human Rights?	V		(I) The Company has set the employee rights in the employee handbook according to the laws and regulations of countries where subsidiaries operate and the International Bill of Human Rights.	(I) No material departure.
(II) Does the Company establish the employee appeal system and channels and handled employee appeals appropriately?	V		(II) The Company has established the employee appeal system and channels. The HR is responsible to handle employee appeals.	(II) No material departure.
(III) Does the Company provide safe and healthful work environments and organize training on safety and health for the employees on a regular basis?	V		(III) The Company ensures that the work environment in factories is safe in accordance with the occupational safety laws and regulations of countries where subsidiaries operate and has obtained the BizSAFE (occupational safety and health) certification in Singapore. In addition, the Company participates in group insurance or health insurance to protect the safety and health of all employees.	(III) No material departure.
(IV) Does the Company establish a system to facilitate regular two-way communication between the management and employees and, by reasonable means, inform employees of operation changes that might have material impacts?	V		(IV) The Company has set up the complete channels of communication with employees; in addition, the HR conveys the business strategies or amendments to major laws and regulations or benefit policies to the employees from time to time.	(IV) No material departure.
(V) Does the Company establish an effective competency development career training program for employees?	V		(V) In addition to orientation training, the Company and its subsidiaries	(V) No material departure.

Item	State of the Company's Implementation			Any Departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(VI) Does the Company formulate the consumer rights policy and grievance procedures for research and development, purchase, production, operations, and service?	V		organize on-the-job training based on the needs of departments and positions and allow employees to participate in external vocational training to improve their professional skills.	(VI) No material departure.
(VII) With regard to marketing and labeling of products and service, does the Company comply with related regulations and international standards?	V		(VI) The procedures for handling customer complaints and the unit in charge are specified in the internal control system. Upholding on the spirit of professional service, the Project Department maintains the complete channels of communication with customers to protect the rights and interests of customers (consumers). (VII) As the Company's customers are internationally renowned luxury brands, the marketing and labeling of products and service comply with related laws and regulations.	(VII) No material departure.
(VIII) Does the Company evaluate whether there is any record of a supplier's impact on the environment and society before engaging in commercial dealings?	V		(VIII) The Company has formulated the Policy for Supplier Management as the basis for having business dealings with suppliers.	(VIII) No material departure.
(IX) Does the contract entered into between the Company and a major supplier include terms stipulating that the contract may be terminated or rescinded at any time if the supplier has violated the corporate social responsibility policy and caused a significant negative impact on the environment and society?	V		(IX) Based on the needs, the Company amends the Policy for Supplier Management without violating the laws and without prejudice to the rights and interests of suppliers. If suppliers violate the corporate social responsibility policy and cause a significant negative impact on the environment and society, the Company may terminate or rescind the contract at any time.	(IX) No material departure.
IV. Enhancing Disclosure of Information Does the Company disclose relevant and reliable information relating to its corporate social responsibility initiatives on the company website and the Market Observation Post System?	V		(I) The Company discloses the performance of corporate social responsibility in the prospectus and on the company website.	No material departure.
V. If the Company has its own corporate social responsibility principles formulated according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please explain the implementation and any departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies": In 2018, the Company's implementation of the "Corporate Social Responsibility Best Practice Principles" represented				

Item	State of the Company's Implementation			Any Departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
no material departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."				
VI. Other important information on the Company's implementation of corporate social responsibility: None.				
VII. Please state any certification of the Company's CSR reports: None.				

(VI) State of the Company's performance of ethical corporate management and the adoption of related measures

Item	State of the Company's Implementation			Any Departure from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
I. Establishing Ethical Corporate Management Policies and Programs				
(I) Does the Company demonstrate ethical corporate management policies and practices and the Board of Directors and management's commitment to active implementation of management policies in its regulations and external documents?	V		(I) Approved by the Board of Directors, the Company's Corporate Social Responsibility Best Practice Principles are formulated to regulate the ethical conduct of the management and all employees.	(I) No material departure.
(II) Does the Company formulate a program to prevent unethical acts, specify operating procedures, behavior guidelines, punishment and grievance system for violations in each program, and implement them?	V		(II) The Company's employee handbook specifies that all employees are not allowed to have unethical conduct. In addition to regular audits conducted by internal auditors, employees may express their opinions or complaints with the HR or management directly.	(II) No material departure.
(III) Does the Company adopt preventive measures for business activities set forth in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or within its business scope which are possibly at a higher risk of being involved in unethical conduct?	V		(III) To ensure the implementation of ethical corporate management, the Company's employee handbook specifies that all employees should explain the ethical corporate management policy and other regulations to the counterparties and clearly refuse to directly or indirectly provide, promise to provide, request or receive improper benefits in any form or name when engaging in business activities with them.	(III) No material departure.
II. Implementing Ethical Corporate Management				
(I) Does the Company evaluate the integrity records of counterparties and specify the	V		(I) According to the "Policy for Supplier Management," the Company evaluates the integrity records of counterparties. After	(I) No material departure.

	terms of ethical conduct in the contracts signed with the counterparties?		dealing with or visiting the counterparties, the Company proceeds to create supplier master data for management.	
(II)	Does the Company set up an exclusively (or concurrently) dedicated unit under the Board of Directors to promote ethical corporate management and regularly report its implementation to the Board of Directors?	V	(II) The HR is responsible to formulate and convey the code of ethics for employees. The internal audit department is responsible to audit and supervise the compliance with the code of ethics. If any unethical fact or conduct is found, the superior managing department should be in charge of the case and report the improvement plan to the Board of Directors.	(II) No material departure.
(III)	Does the Company formulate policies to prevent conflicts of interest, provide proper channels of explanation, and implement them?	V	(III) The Company has formulated the "Procedures for Having Business Dealings with Related Parties, Specific Companies and Affiliates" to prevent any conflict of interests. In addition, the Company provides the proper channels of explanation for employees to express their opinions or complaints with the HR or management directly.	(III) No material departure.
(IV)	Does the Company establish an effective accounting system and internal control system to implement ethical corporate management and have an internal audit unit or entrust the CPAs to conduct regular audits?	V	(IV) To ensure the effect of the Company's accounting system and internal control system, internal auditors audit the compliance of the systems on a regular basis, and external auditors are appointed to audit the internal control system every year.	(IV) No material departure.
(V)	Does the Company regularly hold internal/external training on ethical corporate management?	V	(IV) The Company conveys the importance of ethical corporate management in internal training or orientation training for new employees.	(V) No material departure.
III. Whistle-blowing System				
(I)	Does the Company have a specific whistle-blowing and reward system, establish convenient whistle-blowing channels, and assign the appropriate personnel to deal with the reported personnel?	V	The Company's employee handbook specifies the channels of grievance or explanation. The HR is responsible to receive the employees' opinions/complaints/reporting cases and forward them in secret to the responsible manager/unit for handling. After the cases are closed, the employees will be informed of the results of handling. Necessary or special cases are covered in training to all employees.	No material departure.
(II)	Does the Company formulate the standard operating procedures for investigation and the confidentiality mechanisms for the reported matters?	V		
(III)	Does the Company take measures to protect the whistle-blowers from improper infringement due to reporting?	V		
IV. Enhancing Disclosure of Information				
(I)	Does the Company disclose the status of operations of the "Ethical Corporate Management Best Practice Principles" on the company website and the Market Observation Post System?	V	The Company has not disclosed the "Ethical Corporate Management Best Practice Principles" on the company website and the Market Observation Post System.	In practice, the Company has performed the daily operation based on the spirit of ethical corporate management.
V.	If the Company has its own ethical corporate management principles formulated according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please explain any departure from the			

"Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies":

The Company has formulated the internal policies relating to ethical corporate management, including the "Corporate Governance Best Practice Principles", the internal control system, the enforcement rules for internal audits, the "Rules and Procedures of Board of Director Meetings", the "Audit Committee Charter", the "Remuneration Committee Charter", the "Procedures for Lending Funds to Other Parties", the "Procedures for Endorsement and Guarantee", the "Procedures for Acquisition or Disposal of Assets", the "Procedures for Derivative Transactions", and the "Procedure for Preventing Insider Trading", and implemented ethical corporate management in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

VI. Other important information on the Company's implementation of ethical corporate management (such as amendments to the ethical corporate management principles): None.

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

Refer to the company website (www.redwoodgroup.co)→Investor Relations→Major Internal Policies.

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed:

Refer to the company website (www.redwoodgroup.co)→Investor Relations→Corporate Governance.

(IX) State of implementation of the Company's internal control system

1. Statement of Internal Control System

Redwood Group Ltd
Statement of Internal Control System

Date: March 20, 2019

The Company hereby states the results of the self-evaluation of the internal control system in 2018 as follows:

- I. The Company acknowledges that the implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established the internal control system. The internal capital system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has its innate restrictions. An effective internal control system can only provide reasonable assurance for the achievement of the foregoing three goals; besides, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has a self-monitoring function, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, as of December 31, 2018 has been effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood and concealment of the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Board of Directors on March 20, 2019, and out of the 7 directors in attendance (including attendance by proxy), none objected to it and all consented to the content expressed in this statement.

Redwood Group Ltd
Chairman Thong-ming Soh
GM Sing-keong Lee

2. If a CPA has been hired to carry out a special audit of the internal control system, please furnish the CPA audit report: None.

(X) Disclose any sanctions imposed in accordance with the law upon the Company or its employees, any sanctions imposed by the Company upon its employees for violations of the internal control system policy, principal deficiencies, and the state of improvements during the most recent year and up to the date of publication of the Annual Report: None.

(XI) Material resolutions of the shareholders' meeting or the Board meetings during the most recent year and up to the date of publication of the Annual Report.

Material Resolutions of the Shareholders' Meetings and Implementation

Date	Meeting	Proposals	Resolutions and Implementation
2018.06.19	Annual Shareholders' Meeting 2018	<p>I. Report Items</p> <ol style="list-style-type: none"> 1. 2017 business report 2. 2017 audit report of the Audit Committee 3. Amendments to the Company's Rules and Procedures of Board of Director Meetings <p>II. Adoption Items</p> <ol style="list-style-type: none"> 1. Adoption of 2017 financial statements 2. Adoption of distribution of 2017 earnings <p>III. Discussion Items</p> <ol style="list-style-type: none"> 1. Amendments to the Company's Memorandum and Articles 	<p>The proposal was passed by ordinary resolution.</p> <p>The proposal was passed by ordinary resolution.</p> <p>The proposal was passed by special resolution.</p>

Material Resolutions of the Board Meetings and Implementation

Date	Meeting	Material Resolutions	Resolutions and Implementation
2018.03.20	The 12th meeting of the 3rd-term Board of Directors	<ol style="list-style-type: none"> 1. 2017 consolidated financial statements and business report of the Company 2. Distribution of 2017 earnings of the Company 3. Distribution of 2017 director remuneration and employee bonus 4. Amendments to the Company's Memorandum and Articles 5. 2017 Statement of Internal Control System 6. Plan and schedule for the introduction of IFRS 16 by the Company 7. Making of new endorsements/guarantees by the Company 8. Increase in capital of the sub-subsidiary (South Korea) of the 	<ol style="list-style-type: none"> 1. The proposal was passed without objection. 2. The proposal was passed without objection. 3. The proposal was passed without objection. 4. The proposal was passed without objection. 5. The proposal was passed without objection. 6. The proposal was passed without objection. 7. The proposal was passed without objection. 8. The proposal was passed without objection.

		<p>Company</p> <p>9. Formulation of the policy for handling of shareholder proposals</p> <p>10. Convention of the annual shareholders' meeting 2018</p>	<p>9. The proposal was passed without objection.</p> <p>10. The proposal was passed without objection.</p>
2018.05.07	The 13th meeting of the 3rd-term Board of Directors	1. 2017 year-end bonus for managerial officers of Redwood Group	Chairman Thong-ming Soh and Director Lee-mui Teh concurrently acted as the managerial officers of subsidiaries, so they recused themselves from the discussion and voting to avoid the conflict of interests; after Independent Director Chin-huat Guok consulted other directors present, the proposal was passed without objection.
2018.06.19	The 14th meeting of the 3rd-term Board of Directors	<p>1. Setting of the ex-dividend date for 2017 shareholder dividends of the Company</p> <p>2. Distribution of 2017 earnings of subsidiaries/sub-subsidiaries</p> <p>3. Lending of funds between the Company and subsidiaries/sub-subsidiaries in 2018</p> <p>4. Formulation of the internal control system policy of sub-subsidiaries</p> <p>5. New Investment plans of Redwood Interior Pte Ltd (RWI)</p>	<p>1. The proposal was passed without objection.</p> <p>2. The proposal was passed without objection.</p> <p>3. The proposal was passed without objection.</p> <p>4. The proposal was passed without objection.</p> <p>5. The proposal was passed without objection.</p>
2018.08.10	The 15th meeting of the 3rd-term Board of Directors	<p>1. Consolidated financial statements of the Company for the first half of 2018</p> <p>2. Revision of 2018 budgets of the Company and subsidiaries/sub-subsidiaries</p> <p>3. Amendments to the Company's "Procedures for Endorsement and Guarantee"</p> <p>4. Making of new endorsements/guarantees by the Company</p> <p>5. Amendments to the "Procedures for Derivative Transactions" of the Company and subsidiaries/sub-subsidiaries</p> <p>6. Installation of laser cutting machines by Redwood Interior Pte Ltd (RWI)</p>	<p>1. The proposal was passed without objection.</p> <p>2. The proposal was passed without objection.</p> <p>3. The proposal was passed without objection.</p> <p>4. The proposal was passed without objection.</p> <p>5. The proposal was passed without objection.</p> <p>6. The proposal was passed without objection.</p>
2018.11.08	The 16th meeting of the 3rd-term Board of Directors	<p>1. 2019 budgets of the Company and subsidiaries/sub-subsidiaries</p> <p>2. 2019 audit plan of the Company</p> <p>3. Distribution of earnings of sub-subsidiaries</p> <p>4. Renewal of bank loans to Redwood Interior Pte Ltd (RWI)</p> <p>5. Changes in the Company's endorsements/guarantees</p>	<p>1. The proposal was passed without objection.</p> <p>2. The proposal was passed without objection.</p> <p>3. The proposal was passed without objection.</p> <p>4. The proposal was passed without objection.</p> <p>5. The proposal was passed without objection.</p>

		<p>6. Replacement of the CPAs of the Company</p> <p>7. Evaluation of the independence of the CPAs</p> <p>8. Purchase of equipment by Redwood Interior Pte Ltd (RWI) in pledge for loans</p> <p>9. Dissolution of Redwood (HK) Ltd.</p>	<p>objection.</p> <p>6. The proposal was passed without objection.</p> <p>7. The proposal was passed without objection.</p> <p>8. The proposal was passed without objection.</p> <p>9. The proposal was passed without objection.</p>
2019.03.20	The 17th meeting of the 3rd-term Board of Directors	<p>1. 2018 consolidated financial statements and business report of the Company</p> <p>2. 2018 deficit offset</p> <p>3. Amendments to the Company's Memorandum and Articles</p> <p>4. Amendments to the Company's internal control system</p> <p>5. Preparation of the Company's Statement of Internal Control System</p> <p>6. 2019 monthly remuneration for directors of the Company</p> <p>7. Distribution of 2018 year-end bonuses to managerial officers of Redwood Group</p> <p>8. Adjustment in 2019 salary of managerial officers of Redwood Group</p> <p>9. Lending of funds between the Company and subsidiaries/sub-subsidiaries in 2019</p> <p>10. Renewal of the CPAs of Redwood Interior Pte Ltd (RWI)</p> <p>11. Increase in capital of Redwood Projects France S.A.S. (RWPF)</p> <p>12. Reelection of the 4th-term Board of Directors (including independent directors)</p>	<p>1. The proposal was passed without objection.</p> <p>2. The proposal was passed without objection.</p> <p>3. The proposal was passed without objection.</p> <p>4. The proposal was passed without objection.</p> <p>5. The proposal was passed without objection.</p> <p>6. The proposal was passed without objection.</p> <p>7. Chairman Thong-ming Soh and Director Lee-mui Teh concurrently acted as the managerial officers of subsidiaries, so they recused themselves from the discussion and voting to avoid the conflict of interests; after Independent Director Chin-huat Guok consulted other directors present, the proposal was passed without objection.</p> <p>8. Chairman Thong-ming Soh and Director Lee-mui Teh concurrently acted as the managerial officers of subsidiaries, so they recused themselves from the discussion and voting to avoid the conflict of interests; after Independent Director Chin-huat Guok consulted other directors present, the proposal was passed without objection.</p> <p>9. The proposal was passed without objection.</p> <p>10. The proposal was passed without objection.</p> <p>11. The proposal was passed without objection.</p> <p>12. The proposal was passed without objection.</p>

		13. Nomination of the candidates for the 4th-term independent directors	13. Three incumbent Independent Directors of the Company, namely Min-chiu Chien, Chin-huat Guok, and Chia-shi Lo, recused themselves from the discussion and voting to avoid the conflict of interest; after Chairman Thong-ming Soh consulted other Directors present, the proposal was passed without objection.
		14. Formulation of the policy for handling of shareholder proposals and nomination of candidates for independent directors	14. The proposal was passed without objection.
		15. Convention of the Company's annual shareholders' meeting 2019	15. The proposal was passed without objection.

(XII) If a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors during the most recent year and up to the date of publication of the Annual Report, and the said dissenting opinion has been recorded or prepared as a written declaration, please disclose the principal content: None.

(XIII) A summary of resignations and dismissals of the Company's Chairman, GM, CFO, financial manager, chief internal auditor, and research and development officer during the most recent year and up to the date of publication of the Annual Report: None.

V. Information on CPA Professional Fees

CPA Firm	Name of CPAs		Period of Audit	Remark
Deloitte Taiwan	Ming-chung Hsieh	Po-jen Weng	FY2018	None

Unit: NT\$1,000

Range of Fees		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Under NT\$2,000				
2	NT\$2,000 (inclusive) ~ NT\$4,000		NT\$3,359		NT\$3,359
3	NT\$4,000 (inclusive) ~ NT\$6,000				
4	NT\$6,000 (inclusive) ~ NT\$8,000				
5	NT\$8,000 (inclusive) ~ NT\$10,000				
6	Over NT\$10,000 (inclusive)				

- (I) When non-audit fees paid to the CPA, to the CPA firm, and/or to any affiliated enterprise of the CPA firm are 1/4 or more of the audit fees paid thereto, please disclose the amounts of both audit and non-audit fees and the details of non-audit service: N/A.
- (II) When the Company changes its CPA firm and the audit fees paid for the fiscal year in which such a change takes place are lower than those for the previous fiscal year, please disclose the amounts of the audit fees before and after the change and the reasons: N/A.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more, please disclose the reduction in the amount of audit fees, reduction percentage, and reasons: None.

VI. Information on the Replacement of CPA

VII. Where the Company's Chairman, GM, 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 CPA or at an Affiliated Enterprise of the Accounting Firm, Please Disclose the Name and Position of the Person and the Period during which the Position Was Held: None.

VIII. Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers, or Shareholders with a Stake of More than 10% during the Most Recent Year and Up to the Date of Publication of the Annual Report

- (I) Chang in equity interests by directors, supervisors, managerial officers, or major shareholders

Unit: Shares

Title	Name	2018		As of April 12, 2019	
		Change in the Number of Shares Held	Change in the Number of Shares Pledged	Change in the Number of Shares Held	Change in the Number of Shares Pledged
Chairman	Thong-ming Soh	368,000	-	-	-
Director	Lee-mui Teh	-	-	-	-
Director	Khay-pin Neo	-	-	-	-
Director	Pok-chin Lim	-	-	-	-
Independent Director	Min-chiu Chien	-	-	-	-
Independent Director	Chin-huat Guok	-	-	-	-
Independent Director	Chia-shi Lo	-	-	-	-
GM	Sing-keong Lee	-	-	-	-
CFO	Ai-ai Siew	-	-	-	-
Manager of Finance and Investor Relations	Pin-ching Su	-	-	-	-

- (II) Information on transfer of equity interests

None.

- (III) Information on pledge of equity interests

None.

IX. Relationship Information between the Company's 10 Largest Shareholders (Such as Related Party or Relative within the Second Degree of Kinship)

Relationship Information between the Company's 10 Largest Shareholders

April 12, 2019
Unit: Shares; %

Name	Shares Held in Person		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		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		Remark
	Number of Shares	Shareholding Ratio(%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Name	Relationship	
Thong-ming Soh	16,608,571	33.06	15,456,264	30.76	-	-	Lee-mui Teh	Spouse	
Lee-mui Teh	15,456,264	30.76	16,608,571	33.06	-	-	Thong-ming Soh	Spouse	
An-hui Chen	2,974,668	5.92	-	-	-	-	-	-	
Jui-ying Tsao	1,367,434	2.72	-	-	-	-	Chia-ying Tsao	Sister	
Chia-ying Tsao	764,545	1.52	-	-	-	-	Jui-ying Tsao	Sister	
Guangyuan Investment Co., Ltd.	711,951	1.42							
Guangyuan Investment Co., Ltd. (representative: Hsin-yi Lin)	-	-	-	-	-	-	-	-	
Jing-xuan, Wen	292,100	0.58	-	-	-	-	-	-	
Yong-fa, Chang	284,887	0.57	-	-	-	-	-	-	
Jin-yi, Lin	248,920	0.50	-	-	-	-	-	-	
Citibank in custody for Maybank Kim Eng Securities	247,483	0.49							

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managerial Officers, and Any Companies Controlled either Directly or Indirectly by the Company

Total Equity Stake

December 31, 2018/Unit: Shares; %

Invested Company (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Companies		Total Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Redwood Interior Pte Ltd	-	100.00	-	0	-	100.00
Redwood Furniture Sdn. Bhd.	-	100.00	-	0	-	100.00
Redwood (Shanghai) Pte Ltd	-	100.00	-	0	-	100.00
Redwood (HK) Ltd	-	100.00	-	0	-	100.00
Redwood Projects Sdn. Bhd.	-	100.00	-	0	-	100.00
Redwood Projects Korea Co., Ltd	-	100.00	-	0	-	100.00
Redwood Projects Japan K.K	-	100.00	-	0	-	100.00
Redwood Projects France S.A.S	-	100.00	-	0	-	100.00
Redwood Projects US Inc.	-	100.00	-	0	-	100.00

Note: Long-term investment using the equity method.

Chapter 4 Information on Capital Raising Activities

I. Capital and Shares

(I) Source of share capital

Unit: NT\$; Shares

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Other
2010.08	10	150,000	1,500,000	50,000	500,000	Incorporation	None	-
2010.12	10	50,000,000	500,000,000	29,550,000	295,500,000	Exchange of new shares issued by the Company with Redwood Interior Pte Ltd and Redwood Furniture Sdn. Ltd.	None	-
2011.04	10	50,000,000	500,000,000	31,798,200	317,982,000	Capital increase by retained earnings	None	-
2011.04	10	50,000,000	500,000,000	36,000,000	360,000,000	Capital increase by cash	None	-
2011.12	10	80,000,000	800,000,000	40,000,000	400,000,000	Capital increase by cash	None	Note 1
2012.07	10	80,000,000	800,000,000	42,000,000	420,000,000	Capital increase by retained earnings	None	Note 2
2013.12	10	80,000,000	800,000,000	46,000,000	460,000,000	Capital increase by cash	None	Note 3
2014.08	10	80,000,000	800,000,000	48,300,000	483,000,000	Capital increase by retained earnings	None	Note 4
2017.07	10	80,000,000	800,000,000	50,692,500	506,925,000	Capital increase by retained earnings	None	Note 5
2018.01	10	80,000,000	800,000,000	50,242,500	502,425,000	Cancellation of treasury stock	None	Note 6

Note 1: Approved by the Financial Supervisory Commission, Executive Yuan according to the Order Jin-Guan-Zheng-Fa-Zi No. 1000054460 on November 9, 2011.

Note 2: Approved by Taipei Exchange according to the Order Zheng-Gui-Jian-Zi No. 10100182581 on July 31, 2012.

Note 3: Approved by the Financial Supervisory Commission, Executive Yuan according to the Order Jin-Guan-Zheng-Fa-Zi No. 1020049050 on December 4, 2013.

Note 4: Approved by Taipei Exchange according to the Order Zheng-Gui-Jian-Zi No. 10300198102 on August 1, 2014.

Note 5: Announced by Taipei Exchange (Taipei Exchange→Announcement & Law Inquiries→Market Announcement→News Concerning Capital Reductions by Common Share) on July 20, 2017.

Note 6: In the 13th meeting of the 2nd-term Board of Directors on November 11, 2014, the Board of Directors of the Company resolved to repurchase 450,000 shares, which were used as treasury stock for the issuance of employee share subscription warrants; as of the end of the transfer period of treasury stock, however, the Company did not issue employee share subscription warrants or transfer treasury stock to employees. Therefore, in the 11th meeting of the 3rd-term Board of Directors on November 14, 2017, the Board of Directors of the Company resolved to set January 8, 2018 as the record date of cancellation of treasury stock for capital reduction, and apply for the cancellation of treasury stock for capital reduction to the local competent authority in accordance with the regulations of Cayman Islands (country of registration) and Taiwan (country of listing). After receiving the application, Taipei Exchange announced that the Company cancelled 450,000 shares of treasury stock on January 12, 2018.

April 12, 2019; Unit: Shares

Type of Shares	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Registered Common Share	50,242,500	29,757,500	80,000,000	Note

Note: In the 13th meeting of the 2nd-term Board of Directors on November 11, 2014, the Board of Directors of the Company resolved to repurchase 450,000 shares, which were used as treasury stock for the issuance of employee share subscription warrants; as of the end of the transfer period of treasury stock, however, the Company did not issue employee share subscription warrants or transfer treasury stock to employees. Therefore, in the 11th meeting of the 3rd-term Board of Directors on November 14, 2017, the Board of Directors of the Company resolved to set January 8, 2018 as the record date of cancellation of treasury stock for capital reduction and apply for the cancellation of treasury stock for capital reduction to the local competent authority in accordance with the regulations of Cayman Islands (country of registration) and Taiwan (country of listing). After receiving the application, Taipei Exchange announced that the Company cancelled 450,000 shares of treasury stock on January 12, 2018.

(II) Shareholder structure

April 12, 2019; Unit: Person; Shares

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Total
Quantity						
Number of Shareholders	-	-	12	2,470	25	2,507
Number of Shares Held	-	-	748,010	16,145,295	33,349,195	50,242,500
Shareholding Percentage	-	-	1.49%	32.13%	66.38%	100.00%

Note: As of publication of the Annual Report, the Company did not have shareholders from the Mainland China.

(III) Shareholding distribution status

April 12, 2019

Shareholding Percentage	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 ~ 999	770	105,450	0.21
1,000 ~ 5,000	1,259	2,473,240	4.92
5,001 ~ 10,000	243	1,744,136	3.47
10,001 ~ 15,000	84	1,033,346	2.06
15,001 ~ 20,000	41	718,475	1.43
20,001 ~ 30,000	38	891,473	1.77
30,001 ~ 40,000	19	641,269	1.28
40,001 ~ 50,000	13	569,887	1.13
50,001 ~ 100,000	19	1,279,150	2.55
100,001 ~ 200,000	9	1,399,909	2.79
200,001 ~ 400,000	6	1,502,732	2.99
400,001 ~ 600,000	-	-	-
600,001 ~ 800,000	2	1,476,496	2.94
800,001 ~ 1,000,000	-	-	-

Shareholding Percentage	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
Over 1,000,001	4	36,406,937	72.46
Total	2,507	50,242,500	100.00

(IV) List of major shareholders

April 12, 2019

Major Shareholder	Shares	Number of Shares Held	Shareholding Percentage
Thong-ming Soh		16,608,571	33.06
Lee-mui Teh		15,456,264	30.76
An-hui Chen		2,974,668	5.92
Jui-ying Tsao		1,367,434	2.72
Chia-ying Tsao		764,545	1.52
Guangyuan Investment Co., Ltd.		711,951	1.42
Guangyuan Investment Co., Ltd. (representative: Hsin-yi Lin)		292,100	0.58
Jing-xuan, Wen		284,887	0.57
Yong-fa, Chang		248,920	0.50
Citibank in custody for Maybank Kim Eng Securities		247,483	0.49
Total		38,956,823	77.54

(V) Market price per share, net worth per share, earnings per share, dividends per share, and related information over the past two years

Unit: 1,000 shares; NT\$

Item		Year	2017	2018	As of March 31, 2019
Market Price per Share	Highest		54.80	42.00	23.30
	Lowest		40.00	19.35	21.85
	Average		46.67	31.50	22.42
Net Worth per Share	Before distribution		21.05	18.83	17.91
	After distribution		19.35	(Note 1)	-
Earnings per Share	Weighted average number of shares		50,243	50,243	50,243
	Earnings (losses) per share (Note 2)		3.39	(0.49)	(1.19)
Dividends per Share	Cash dividends		1.70	(Note 1)	-
	Stock dividends	Stock distribution from earnings	-	-	-
		Stock distribution from capital surplus	-	-	-
	Accumulated undistributed dividends (Note 3)		-	-	-
Return on Investment	Price-earnings ratio (Note 4)		13.77	(64.29)	-
	Price-dividend ratio (Note 5)		27.45	(Note 1)	-
	Cash dividend yield (Note 6)		0.04	(Note 1)	-

Source: CPA-audited consolidated financial statements for 2017 and 2018.

Note 1: The proposal for 2018 deficit compensation is yet to be resolved by the shareholders' meeting.

Note 2: In case of a retroactive adjustment due to the distribution of stock dividends, earnings per share

before/after adjustment should be disclosed.

Note 3: If, according to equity securities issuance conditions, the undistributed dividends of equity securities of a given year may be accumulated until a profitable year, the accumulated undistributed dividends as of the year should be disclosed.

Note 4: Price-earnings ratio = Average closing price per share for the year / Earnings per share.

Note 5: Price-dividend ratio = Average closing price per share for the year / Cash dividend per share.

Note 6: Cash dividend yield = Cash dividends per share / Average closing price per share for the year.

(VI) Dividend policy and implementation

1. Dividend policy

As a boutique decoration business, the Company is currently the growing stage of its life cycle, where its operations are expanding steadily. Considering the overall business development, financial planning, need of funds, outlook of the industry, and the rights and interests of shareholders, the Company should adopt a conservative and healthy dividend policy. Unless otherwise provided for the rights attached to any share, the Company may distribute earnings according to the proposal adopted by the Board of Directors and the ordinary resolution passed by the shareholders' meeting without violating the Company Law of the Cayman Islands and the Company's Articles of Incorporation, including Article 12.4(a). If the Company has earnings, the Board of Directors should set aside the earnings for the following uses for the fiscal year when resolving on the distribution of earnings: (i) tax payment for the fiscal year; (ii) deficit compensation for past years; and (iii) special capital reserve as required by the competent authority according to the regulations governing public companies. Without violating the Company Law of the Cayman Islands, the Company should appropriate an adequate and specific amount of accumulated undistributed earnings as a reserve for every fiscal year for development purpose according to Article 34.6 of the Company's Articles of Incorporation. Upon approval of the shareholders, the remainder should be distributed in the following order and manner:

- (1) No less than 0.2% as employee bonuses;
- (2) No more than 5% as directors' remuneration; and
- (3) No less than 20% as dividends paid to shareholders, where cash dividends should account for at least 10%.

Based on the resolution passed by the Board of Directors, dividends paid to shareholders and employee bonuses may be distributed by cash or stock or a combination of both. The Board of Directors may adjust the proportion of cash dividends to be distributed according to the actual profits and operations of the year. When employee bonuses are distributed by stock, employees of subsidiaries meeting certain specific requirements may be entitled to the distribution of bonuses by stock and cash. No interest should be paid by the Company in respect of the undistributed dividends and bonuses.

2. Distribution of dividends proposed at the most recent shareholders' meeting

The Company reported a net loss after tax in 2018. On March 20, 2019, the Board of Directors resolved not to distribute dividends.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

The Company did not propose any stock dividend distribution in 2018.

(VIII) Remuneration of employees, Directors, and Supervisors

1. Percentage or range of employee, Director, and Supervisor remuneration as set forth in the Company's Articles of Incorporation

Refer to the dividend policy in (6)1. above.

2. Bases for estimating the amount of employee, Director, and Supervisor remuneration and for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure for the current period

In 2018, the Company did not estimate employee bonuses and Director remuneration payable. In the past profitable years, the employee bonuses and Director remuneration payable (as set forth in the Company's Articles of Incorporation) were estimated in the interim and annual financial statements according to the Interpretation 2007-Ji-Mi-Zi No. 052 issued by the Accounting Research and Development Foundation (ARDF) and recognized as operating costs or operating expenses based on the nature of employee bonuses and Director remuneration. The shareholders' meeting resolved that the discrepancy, if any, between the actual distributed amount and the estimated figure should be regarded as a change in estimates and recognized as profit or loss for the current period.

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

- (1) Amount of any employee, Director and Supervisor remuneration distributed in cash or stock (If there is any discrepancy between the actual amount and the estimated figure for the fiscal year, the discrepancy, its cause, and the status of treatment should be disclosed)

The Company reported a net loss after tax in 2018. On March 20, 2019, the Board of Directors resolved not to distribute employee bonuses and Director remuneration in cash.

- (2) Amount of any employee remuneration distributed in stock, and its size as a percentage of the sum of net income after tax and total employee remuneration stated in the parent company only financial statements or individual financial statements for the current period

The Company did not resolve to distribute any employee bonuses in stock.

4. Actual distribution of employee, Director, and Supervisor remuneration for the previous fiscal year, with an indication of the number, monetary amount, and price of the shares distributed (if there is any discrepancy between the actual distribution and the recognized employee, Director, or Supervisor remuneration, the discrepancy, its cause, and the status of treatment should be disclosed)

Regarding the proposal for 2017 earnings distribution, the Board of Directors resolved to distribute NT\$338,602 of employee bonuses in cash and NT\$3,386,022 of Director remuneration in cash on March 20, 2018, which were consistent with the recognized expenses.

(IX) Share repurchases

The Company did not repurchase any of its shares in 2018. In the 13th meeting of the 2nd-term Board of Directors on November 11, 2014, the Board of Directors of the Company resolved to repurchase 450,000 shares, which were used as treasury stock for the issuance of employee share subscription warrants; as of the end of the transfer period of treasury stock, however, the Company did not issue employee share subscription stock warrants or transfer treasury stock to employees. Therefore, in the 11th meeting of the 3rd-term Board of Directors on November 14, 2017, the Board of Directors of the Company resolved to set January 8, 2018 as the record date of cancellation of treasury stock for capital reduction and apply for the cancellation of treasury stock for capital reduction to the local competent authority in accordance with the regulations of Cayman Islands (country of registration) and Taiwan (country of listing). After receiving the application, Taipei Exchange announced that the Company cancelled 450,000 shares of treasury stock on January 12, 2018.

II. Issuance of Corporate Bonds: None

III. Preferred Shares: None

IV. Overseas Depository Shares: None

V. Employee Share Subscription Warrants: None

VI. New Restricted Employee Shares: None

**VII. Issuance of New Shares in Connection with Mergers or Acquisitions of Other Companies:
None**

VIII. Implementation of the Company's Capital Allocation Plans

(I) Description of the plans

Each uncompleted public offering or private placement of securities, or such issues and placements that were completed in the most recent three years but yet to have fully yielded the planned benefits for the period, as of the quarter preceding the date of publication of the Annual Report: None

Since its incorporation in August 2010, the Company has not engaged in any private placement of securities. The Company had capital increase by cash in April 2011 and January 2014, respectively. At present, such capital increases have been completed and fully yielded the planned benefits.

(II) Status of implementation: Not applicable.

Chapter 5 Overview of Business Operations

I. Description of the Business

(I) Scope of business

1. Major lines of business

Specializing in high quality interior fittings for the world's top luxury brands, Redwood Group has the clientele across Asia, Europe, and Middle East, including Bvlgari, Cartier, Coach, Gucci, Hermes, Louis Vuitton, Michael Kors, Tiffany & Co., and so on.

2. Weight of business for main offerings

Unit: NT\$1,000; %

Item	2017		2018	
	Amount	Percentage	Amount	Percentage
Interior Decoration	1,039,552	58.69	966,534	64.17
General Construction	496,747	28.05	314,774	20.90
Storefront Decoration	234,833	13.26	224,920	14.93
Total	1,771,132	100.00	1,506,228	100.00

3. Current products (services)

- (1) Interior decoration: High quality interior renovation, display, furnishing, and fittings for the world's top luxury brands.
- (2) General construction: Indoor electrical engineering and general construction.
- (3) Storefront decoration: Overall outdoor curtain wall decoration for luxury brand storefronts.

4. New products (services) planned for development

Due to the nature of the industry, Redwood Group has no concrete development of new products or technologies, but continues to enhance the quality of products and production efficiency, so as to further improve the entire production process and problem-solving skills in project management. Besides, the Company also works with the suppliers of original equipment manufacturers (OEM). With many years of experience in boutique decoration craftsmanship, the Company gives advice on the design and manufacture of equipment to contracted OEM and helps to improve the automated production process. Such new equipment benefits both the Company in terms of production costs and quality, as well as environmental protection.

(II) Overview of the industry

1. Current status and development of the industry

(1) Current status of the luxury goods market

As Redwood Group specializes in the decoration of the world's top boutiques and the production of customized products, the development of the luxury goods industry is closely relevant to the Company. The current status of the luxury goods market is summarized as follows:

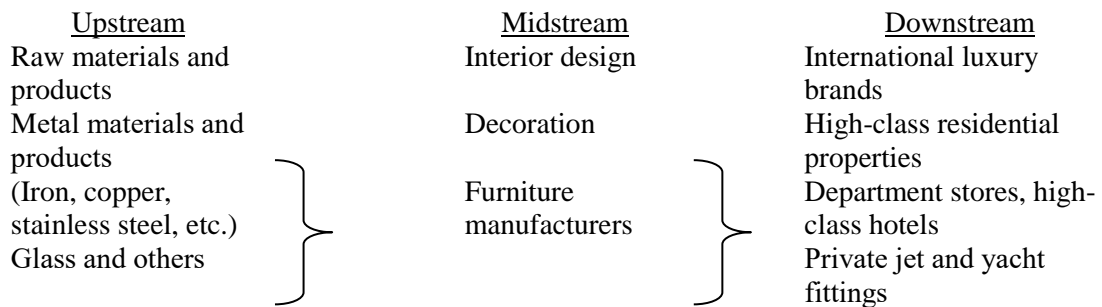
According to the market research conducted by Bain & Co, despite challenges in the economic development, the luxury goods industry gradually recovered in 2018. The outlook for the global luxury goods market is optimistic. In terms of regions, Asia,

especially in emerging Asian countries, reported the largest growth rate. In addition, millennials will become another driving force of luxury goods consumption, which will also drive more well-known and powerful brands to develop new customer bases. Euromonitor International forecast that the global luxury goods market would show a steady compound growth rate of about 4-5% in the next three years. Euromonitor International also indicated a positive outlook for the overall market.

(2) Overview of Redwood Group

Redwood Group specializes in the decoration of the world's top boutiques and the production of customized products. Having been in existence for more than 20 years since its incorporation, Redwood Group has the clientele across more than 40 countries or regions. The Company has been widely praised for its years of experience in the boutique decoration industry. With high quality craftsmanship and the best execution in the industry, Redwood Group aims to present a completely new appearance of the world's top 100 brand stores. As the global luxury goods market prospers with expanded sales regions, the future business objectives of Redwood Group are to optimize products and services and to improve global market share.

2. Links between the upstream, midstream, and downstream segments of the industry supply chain



3. Development trends of products

Redwood Group mainly provides interior decoration, furnishing, and curtain wall decoration of high-class boutiques as well as customized fittings and displays cabinets and stands for the world's leading luxury brands. Therefore, the primary requirements of the products are quality and unique features. To meet the needs of customers and establish long-term partnership, the products and services of boutiques focus on the following development trends:

- (1) Fashion: The ideas of fashion designers should be reflected in the interior of boutiques, to provide the sense of elegance and fashion, so that the boutiques can be favored by customers in long run.
- (2) Technology: The use of computer numerical control (CNC) can improve the quality of products, save raw materials, and enhance the diversification and efficiency of product design and production, while reducing limitations too.
- (3) Building of customer relationship: Long-term trust and cooperation should be established to extend the business scale of the Company with the expansion of sales regions and outlets of luxury brands.
- (4) Production integration: A complex and diversity of parts assembly and production processes are integrated creatively to provide one-stop service for boutiques, which can improve production costs and quality of products, respond to customers in the shortest possible time, and shorten the delivery time to enhance customer satisfaction and global competitiveness.

4. Competition of products

The world-renowned boutique decoration industry consists of few manufacturers. The style and quality of each decoration project must be rigorously and long verified before being adopted by the world's leading luxury brands. New challengers face a certain degree of barriers to entry, including the qualified decoration style, quality of each decoration project, and whether production is highly computerized (CNC, which reduces limitations to styles or designs) and centralized (one-stop production that reduces outsourcing of projects or items, in order to control the quality and delivery of products) and reaches a certain economic scale.

(III) Overview of technologies and research and development (R&D)

1. The boutique decoration industry mostly focuses on the changes in the production process, improvement in equipment, and application of other raw materials rather than on the R&D of expertise. Therefore, there is usually no independent R&D department and investment in research and development. With many years of experience and skills in boutique decoration, the Company communicates with its clientele to improve the production methods and technologies constantly, so as to offer more creative products that meet the expectations of customers.
2. In terms of patents, the Company sources raw materials required for decoration from other companies, processes such materials, and makes them into components for assembly. Any change in the production process or replacement of raw materials does not involve the R&D of new products or the development of manufacturing technologies or the use of patented production technologies. Therefore, the Company does not have any patents currently. The patent-related operating risk is low according to the characteristics of the industry.
3. Based on the above, the Company focuses the technologies and R&D on the following:
 - (1) Technological level and R&D of the business

A. Research and development (R&D)

Based on the needs of owners, the Company integrates design and offers products required for each decoration project. In response to the development trends and product diversification of the luxury goods market, Redwood Group continues to focus on its major lines of business, namely interior decoration, furnishing, curtain wall decoration of high-class boutiques as well as customized fittings and displays cabinets and stands, by developing the application of new materials and enhancing craftsmanship, so as to strengthen the functionality, features, and added value of existing products and overall market competitiveness.

B. Technological innovation

With many years of experience and skills in boutique decoration, the Company gives advice on preliminary design to shorten the development schedule and cost of customers. High-tech equipment is also used in the production process to improve production methods and technologies. Built on many years of experience in boutique fittings, the Company finds or develops suitable alternative materials to make custom projects or products more distinctive and production more efficient.

(IV) Long-term and short-term business development plans

Redwood Group will continue to focus on the design and manufacture of its major lines of business and improve its global standing in the boutique decoration industry with leading

products and technologies. The long-term and short-term business development plans for the business and production of Redwood Group are described separately below.

Item	Short-term Business Development Plans	Long-term Business Development Plans
Business	<ol style="list-style-type: none"> 1. Enhance the weight of high value-added products in line with the needs of customers. 2. Focus on the existing key customers and develop customers with potential in a market-oriented approach. 3. Expand the European and American markets. 4. Reinforce the financial strength and develop the capability of expanding the business scale and introducing new technologies with the help of the capital market. 5. Enhance the corporate culture of high performance and improve employee cohesiveness and market competitiveness. 	<ol style="list-style-type: none"> 1. Provide customers one-stop service covering the existing customized products and refined, functional accessories to improve gross margins. 2. Strengthen the financial structure and long-term development strength of Redwood Group through a diversity of financing channels in the capital market and enrich the management and brand visibility with the growth in business scale. 3. Provide better and more efficient service with the advantage of localization of subsidiaries to improve customer satisfaction. 4. Strengthen market share of general construction by improved the allocation and strategy of resources. 5. Explore and develop markets related to boutique decoration, such as high-class residential and commercial properties as well as private jet and yacht fittings to expand the development potential of Redwood Group.
Production	<ol style="list-style-type: none"> 1. Strengthen the long-term cooperation with raw material suppliers. 2. Provide customers with comprehensive supply chain management to create additional value for production. 3. Focus on the deployment of manpower and equipment, control production process, and enhance the production skills and quality of products. 	<ol style="list-style-type: none"> 1. Expand the production scale and achieve modular, refined, and automated production to improve the output value and quality. 2. Set up operations according to customer bases, reinforce the long-term customer relationship and development strategies, and enhance brand visibility and market share. 3. Establish the long-term customer relationship, from preliminary design to production. 4. Develop supplier management plans to maintain the optimal level of raw material prices.

II. Analysis of the Market, Production, and Sales

(I) Market analysis

1. Geographic areas where the main products are provided

Unit: NT\$1,000; %

Year		2017		2018	
Area		Amount	Percentage	Amount	Percentage
Export	Asia	1,572,295	88.77	1,264,316	83.94
	America	172,208	9.72	220,670	14.65
	Europe	7,930	0.45	13,045	0.87
	Middle East	18,699	1.06	8,197	0.54
Total		1,771,132	100.00	1,506,228	100.00

2. Market share

As the boutique decoration service covers international boutiques, high-class residential properties and department stores, and high-class hotels, and companies in the industry are quite different in terms of areas of expertise, true market share in a single market is less likely to be reflected. Therefore, it is not possible to calculate the market share of Redwood Group from its output value on a consistent basis.

With years of experience in the boutique decoration industry, Redwood Group currently provides more than 30 luxury brands across 40 countries or more a range of service, from interior decoration, custom fittings, to curtain wall decoration, in terms of project scale and technological maturity. Redwood Group is one of the few listed companies comparable to its peers in Singapore or elsewhere. This demonstrates that the Company's construction technologies and quality of products have been widely recognized by the customers.

3. Demand and supply conditions for the market in the future and growth potential

(1) Future supply

As boutique decoration service requires the long-term accumulation of technology and experience, and the barriers to entry, such as professionalism, company reputation, and achievements, are high, there are only few players in the global boutique decoration industry, and Redwood Group is one of them.

(2) Future demand

In the overall luxury goods market, due to the continuous growth of the luxury goods industry, especially in emerging markets in Asia, it is estimated that top luxury brands will continue to expand their operations.

Customized projects derive from the customers' investment in new stores or renovation. In addition to the world's top luxury brands, Redwood Group serves high-class hotels, residential and commercial properties, and private jet and yacht fittings, creating new market needs for the fashion industry and bringing a bright future for the boutique decoration industry.

(3) Growth potential

In recent years, middle-class consumers have also expended on luxury brands, which expands the luxury goods market year by year from Western countries to Asian countries. Euromonitor International estimated that the global luxury goods industry

would continue to grow by 2021, with an average compound growth rate of 3% from 2016 to 2021. It is estimated that the total sales volume of the luxury goods industry would reach EUR420 billion by 2021.

4. The Company's competitive niche

(1) Excellent performance in decoration

Having been in existence for more than 20 years since its incorporation, Redwood Group has provided high quality interior fittings for the world's top luxury brands. Its technologies, services, and customized products have widely recognized in the global luxury goods industry.

(2) Quality image and reputation

Redwood Group has been committed to providing high quality decorative technologies, services, and customized products and has established a good reputation among customers. To ensure that its production and operations, products, and pollutants comply with related regulations, the Company formulates, implements, and maintains environmental policies and objectives; improves the environmental management system to reduce environmental impact; in addition, the Company has obtained the ISO14001 Environmental Management System certification to enhance its corporate image and competitiveness.

Moreover, the Company attaches more importance to the implementation of corporate social responsibility and takes into account factors having an impact on society and the environment, while being liable for shareholders, so as to improve its competitiveness, reputation and sustainable development.

(3) Customized services

The Company provides customers customized services based on their design needs. The Company specializes in the decoration of the world's top boutiques and the production of customized products. Therefore, design, production, and quality of products must meet the requirements of world-class luxury brands. Redwood Group is committed to providing customized products and services that meet the needs and expectations of its customers.

(4) Long-term customer relationship and strategic alliances

Redwood Group establishes long-term cooperation with customers and aims to achieve excellence in the quality of products and business performance together with customers. In terms of material supply management, Redwood Group also maintains the good relationship with its upstream or strategic partners in hopes of offering better design solutions and more competitive products.

According to the records of customer service, many well-known luxury brands have constantly had subsequent dealings with Redwood Group after their first orders, which is a major competitive advantage of Redwood Group. The good, long-term customer relationship allows the Company to serve customers opening new stores; renovation and maintenance of existing operations of customers are also the business opportunity for the Company.

5. Positive and negative factors for future development and the Company's response

(1) Positive factors

A. With more than 20 years of experience in the decoration of world-class boutiques, Redwood Group has been widely recognized and trusted by the world's top luxury brands.

B. With the capability of one-stop project execution, Redwood Group offers

overall solution that includes planning, construction, supervision etc., to boutique decoration, from interior decoration to curtain wall decoration, and customized products based on the needs of customers.

- C. With the excellent capability of product integration and customized service, the Company delivers efficient production and good quality control in the process of project and product execution. In addition, the application of CNC to the production process can improve the quality of products and deliver a full range of designs and technologies.
- D. Redwood Group has its products exported to Europe, Middle East, the U.S., Australia, and Asia, which can effectively dilute the impact of prosperity of a single area. Redwood Group can benefit from the increasing sales of luxury brands as a result of a boom in any area.
- E. Although Redwood Group has small market share in the global boutique decoration industry, it has strived to improve the quality of products and the timely delivery of construction. As Western peers have gradually withdrawn from the boutique decoration industry due to high labor costs, Redwood Group expects to expand its market share in the global boutique decoration industry.

(2) Negative factors

- A. It is difficult to seek and develop talents with rich experience in the boutique decoration industry, so the Company often pays high prices to hire outstanding talents. To reinforce employees' loyalty, the Company will pay higher labor costs.

Response

- (A) Redwood Group provides employees on-the-job training and external training programs, to develop talents by itself, and increases employee benefits to reduce the turnover.
- (B) The Company goes TPEX-listed to attract talents.

- B. Limited to its production capacity, Redwood Group currently focuses on the decoration of international boutiques.

Response

The Company can obtain long-term and lower-cost capital from the capital market to expand its production capacity and recruit talents. The Company can also plan to tap into high-class hotels, residential and commercial properties, and private jet and yacht fittings to dilute the impact of prosperity in a single industry or customer case.

- C. The price reduction as a result of new challengers in the boutique decoration industry may have an impact on the Company's performance.

Response

- (A) Maintaining good quality of products

The storefronts of international boutiques make the first impression on customers, so each boutique is very particular about the quality of its store decoration. All of the Company's equipment, procedures, and staffing are designed for the decoration of international boutiques, so the Company can maintain the good quality of products without losing customers due to the price reduction of other manufacturers.

(B) Maintaining good customer relationship

After receiving projects, the Company will designate employees to discuss the projects with customers. Projects may be modified based on the opinions of customers to realize the conception. As the Company maintains the long-term relationship with customers, time for communication is significantly shortened, accelerating the completion of projects and the opening of customers' stores.

(C) Control over material prices

The Company sources major raw materials from at least two suppliers and sources most of the raw materials directly from OEM instead of dealers to reduce prices of raw materials and improve the competitiveness of products.

(D) Improving production efficiency

Continuously improving the output of production equipment can enhance the quality of products and reduce the loss of raw materials, so as to reduce the production costs and improve the competitiveness of products.

(E) Strengthening inventory control and delay of investment in fixed assets

In the face of economic downturn in the future, the Company will strengthen inventory control, reduce capital backlog, and delay the investment in fixed assets, so that the Company has sufficient funds for maintaining the normal operation.

(II) Usage and manufacturing processes for main products

As Redwood Group is a contract manufacturer of high quality interior fittings for luxury brands, it does not engage in the mass production of specific products.

(III) Supply situation for major raw materials

Major raw materials of Redwood Group include wood, glass, copper, iron, stainless steel, and paint. Redwood Group sources raw materials from major suppliers under long-term cooperation, so the supply of raw materials is stable.

(IV) List of customers/suppliers accounting for 10% or more of the Company's total procurement (sales) amount in either of the most recent two years and the reason for increase/decrease

1. List of suppliers accounting for 10% or more of the Company's total procurement amount in either of the most recent two years: Not applicable.

2. List of customers accounting for 10% or more of the Company's total sales amount in either of the most recent two years

Unit: NT\$1,000

Item	2017				2018				As of 1Q of 2019			
	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Percentage of Net Sales as of the Previous Quarter (%)	Relationship with the Issuer
1	Customer A	316,642	17.88	None	Customer A	305,491	20.28	None	Customer A	40,214	18.88	None
2	Customer B	229,782	12.97	None	Customer B	241,623	16.04	None	Customer B	3,082	1.45	None
3	Customer C	222,430	12.56	None	Customer C	210,208	13.96	None	Customer C	62,393	29.30	None
4	Customer D	206,464	11.66	None	Customer D	200,305	13.30	None	Customer D	7,877	3.70	None
5	Customer E	200,969	11.35	None	Customer E	85,137	5.65	None	Customer E	27,449	12.89	None
6	Customer F	86,469	4.88	None	Customer F	47,936	3.18	None	Customer F	3,318	1.56	None
	Others	508,376	28.70	None	Others	415,528	27.59		Others	68,631	32.22	
	Net Sales	1,771,132	100.00		Net Sales	1,506,228	100.00		Net Sales	212,964	100.00	

- Note 1: Customers accounting for 10% or more of the Company's total sales amount in either of the most recent two years are listed. Where the Company is prohibited by contract from revealing the name of a customer, or where a trading counterpart is an individual person who is not a related party, a code may be used in place of the actual name
- Note 2: The sales of Customer A in 2018 decreased slightly by 3.52% compared with that in 2017, and the percentage of net sales in 2018 was 20.28%, which remained the first place. Major projects completed in 2018 included the decoration of the brand's stores in Guam, New Delhi, and Bangkok.
- Note 3: The sales of Customer B in 2018 increased by 54.15% compared with that in 2017, and the percentage of net sales in 2018 was 16.04%, which was due to a large scale and number of projects in 2018. Major projects completed in 2018 included the decoration of the brand's stores in Resorts World Sentosa, Changi Airport, and on Orchard Road in Singapore and the store in Bangkok.
- Note 4: The sales of Customer C in 2018 decreased slightly by 8.52% compared with that in 2017, and the percentage of net sales in 2018 was 13.96%. Major projects completed in 2018 included the decoration of the brand's stores in Hawaii, Marina Bay Sands in Singapore, and Bangkok.
- Note 5: The sales of Customer D remained equal compared with that in 2017.
- Note 6: The sales of Customer E in 2018 decreased sharply by 61.72% compared with that in 2017, and the percentage of net sales in 2018 was 5.65%, which was due to the completion of the brand's store in Kuala Lumpur, Malaysia in 2017 and a decrease in the number of projects YoY.
- Note 7: The sales of Customer F in 2018 decreased sharply by 76.78% compared with that in 2017, and the percentage of net sales in 2018 was 3.18%, which was due to the bulk orders received in 2017 and a decrease in the number of projects YoY.

(V) Production volume and value for the most recent two years

Unit: NT\$1,000

Production Volume/Value Main Product (or Sector)	Year	2017			2018		
		Production Capacity	Production Volume	Production Value	Production Volume	Production Capacity	Production Value
	Interior Decoration	-	456	710,766	-	467	759,595
General Construction	-	245	337,130	-	227	242,559	
Storefront Decoration	-	25	158,706	-	21	173,564	
Total	-	726	1,206,602	-	715	1,175,718	

Note: Redwood Group is a contract manufacturer of high quality interior fittings for many world's top luxury brands, so the production capacity is incalculable; instead, the manufacturing costs are calculated based on the types of main products.

(VI) Sales volume and value for the most recent two years

Unit: NT\$1,000

Sales Volume/Value Main Product(or Sector)	Year	2017				2018			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Interior Decoration	-	-	456	1,039,552	-	-	467	966,534	
General Construction	-	-	245	496,747	-	-	227	314,774	
Storefront Decoration	-	-	25	234,833	-	-	21	224,920	
Total	-	-	726	1,771,132	-	-	715	1,506,228	

Note: Redwood Group has no domestic sales; export refers to sale to other areas outside the Cayman Islands.

III. Number of Employees Employed during the Most Recent Two Years and Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

Year		2017	2018	As of April 30, 2019
Number of Employees	Managerial officers or above	76	85	87
	General employees	228	202	198
	Production line staff	1,014	749	734
	Total	1,318	1,036	1,019
Average Age		35	34.90	35.16
Average Years of Service		4.60	5.13	4.95
Education Level	Doctor of Philosophy	0.00%	0.00%	0.00%
	Master's Degree	0.23%	0.19%	0.20%
	Bachelor's Degree	12.97%	15.15%	14.62%
	Senior High School or below	86.80%	84.66%	85.18%

IV. Environmental Protection Expenditures

Total losses (including damage awards) and fines for environmental pollution during the most recent years and up to the date of publication of the Annual Report, and the measures (including corrective measures) and possible expenditures to be made in the future: None.

The Group's business activities do not generate special pollution, so no application for equipment or emission permits is required. Redwood Interior Pte Ltd has obtained the ISO14001 Environmental Management System certification to establish a sound environmental management system. Aiming of becoming a green enterprise, it takes the initiative in participating in green building projects in line with the U.S. green construction certification requirements of "Leadership in Energy and Environmental Design" (LEED) to fulfill its corporate social responsibility.

In addition, reduction in energy consumption and protection of resources have become popular topics. The development of an enterprise relates closely to energy. The production headquarters of Redwood Group in Malaysia reuses waste solvents and industrial wastewater through treatment equipment, with current recycling rate of 70% or above. While reducing environmental pollution, the Company saves operating costs by reducing a waste of resources to achieve the economic, social, and environmental benefits.

V. Labor Management Relations

(I) List any employee benefit 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. Employee benefit plans, continuing education, training

Redwood Group offers employee benefits in accordance with the regulations of countries where subsidiaries operate, including social (employee/health) insurance, pensions or provident funds, and health examinations. Redwood Group also plans and organizes activities for employees, including team building and other activities.

The Company organizes orientation training for new employees in accordance with the

regulations to explain the history, goals and missions, work environment and internal policies of the Company. To continuously improve the performance and expertise of employees, each department makes the training plan based on its annual objectives and organizes internal/external training accordingly.

2. Retirement systems

Redwood Group implements the retirement systems in accordance with the regulations of countries where subsidiaries operate. The governments of Singapore and Malaysia have no specific pension plan, but have a provident fund system that is similar to the nature of the pension plan. The provident fund system is applicable to Singaporean/Malaysian citizens and permanent residents. There is no relevant regulatory restriction on foreign employees.

According to the policy of the governments of Singapore and Malaysia, companies must pay the provident fund for citizens and permanent residents every month. The provident fund is comprised of two components. One is withdrawn from a certain percentage of an employee's basic wage per month, and the other is paid by the Company at a percentage of an employee's basic wage per month. Companies are responsible to deposit the provident fund in the central provident fund board. The central provident fund board is responsible to set the percentage of the provident fund paid, which may vary depending on nationality, age, and monthly basic wage.

3. Status of labor-management agreements

Redwood Group always values employee rights and feedback. The Company's labor relations is harmonious. Employees may communicate with the management and give advice on the operation of the Company through the human resources department. Therefore, the Company has no significant labor dispute so far.

4. Measures for preserving employees' rights and interests

Currently, the Company has no labor union. Attaching great importance to harmonious labor relations and employee feedback, the Company has formulated the employee handbook, which properly stipulates the salaries, working hours, and leaves, and implemented occupational safety and health measures and training since its incorporation. In terms of employee feedback, the Company communicates with employees and finds proper solutions to win the trust and support of its employees. As of today, the Company has no loss caused by material labor disputes and therefore has harmonious labor relations.

5. Protective measures for work environment and employees' personal safety

The Company is mainly engaged in the production and sales and has no air or water pollution. The Company has also purchased insurance covering public liability, group business travel, and overseas sickness for each employee.

- (II) List any loss sustained as a result of labor disputes during the most recent year and up to the date of publication of the Annual Report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect: None.

VI. Important Contracts

Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the Annual Report or expired in the most recent year:

(I) Redwood Group Ltd

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Bank Facility Agreement	CTBC Bank	2018.01~2020.01	Medium-term and long-term loan, with the line of credit being US\$2 million.	None

(II) Redwood Interior Pte Ltd

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Bank Facility Agreement	DBS Bank	July 1996~ (Note 1)	<ol style="list-style-type: none"> 1. Working capital of the Company and repayment to Redwood Furniture Sdn Bhd, with the line of credit reaching SGD1 million for a term of 3 years. 2. Bank overdraft, with the line of credit reaching SGD50,000. 3. Letter of credit, trust receipts, notes receivable factoring, and bill of lading for sea/air transport guarantee, with the line of credit reaching SGD1.2 million for a term of 120 days. 4. Foreign exchange loans, with the line of credit reaching SGD2 million for a term of up to 12 months. 5. Revolving credit, with the line of credit reaching SGD 1,500,000. 6. Standby letter of credit, with the line of credit reaching SGD 1,250,000.. 7. Non-revolving mutual credit, with the line of credit reaching SGD13 million for a term of up to 60 months. 8. Long-term loans for the construction of new office buildings, with the line of credit reaching SGD23 million for a term of 20 years. 9. Installment for equipment, with the line of credit reaching SGD3 million. 	<ol style="list-style-type: none"> 1. The factory and land at No. 48 Sungei Kadut Avenue in Singapore are used as a collateral. 2. Redwood Group Ltd acts a joint guarantor. 3. Redwood Group Ltd acts as a joint guarantor. 4. Redwood Interior Pte Ltd and Jurong Town Corporation enter into the assignment agreement for the lease agreement.

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Letter of Credit	United Overseas Bank (UOB)	October 2005~ (Note 2)	Letter of credit for trading, with the line of credit reaching SGD500,000 and a repayment period of 90 days.	1. Thong-ming Soh and Lee-mui Teh act as joint guarantors. 2. A commitment is made in the form of contract not to factor accounts receivable between the company and other financial institutions.
Bank Facility Agreement	CTBC Bank	2018.11~2019.10	Short-term loan, with the line of credit reaching US\$2 million.	Redwood Group Ltd acts as a joint guarantor.
Sales Agreement	Company H (Note 3)	January 2018~ (Note 4)	Interior decoration and storefront decoration of Company H's store in the U.S.	None
Sales Agreement	Company C (Note 3)	May 2018~ (Note 4)	Interior decoration and storefront decoration of Company C's store in Mexico	None
Sales Agreement	Company R (Note 3)	January 2019~ (Note 4)	General decoration of Company R's store in Singapore	None
Sales Agreement	Company L (Note 3)	January 2019~ (Note 4)	Interior decoration of Company L's store in Australia	None
Sales Agreement	Company L (Note 3)	March 2019~ (Note 4)	Interior decoration of Company L's store in Australia	None
Sales Agreement	Company B (Note 3)	March 2019~ (Note 4)	General decoration, storefront decoration, and interior decoration of Company B's store in Singapore	None
Supply Agreement	Redwood Furniture Sdn. Bhd.	January 2011~ (Note 5)	Redwood Furniture Sdn. Bhd. is commissioned to provide products and services.	None
Long-term Lease Agreement	Jurong Town Corporation	1991.08~2021.08	Long-term leasehold of Redwood Interior Pte Ltd's land	None
Long-term Lease Agreement	Jurong Town Corporation	2018.02~2048.01	Long-term leasehold of Redwood Interior Pte Ltd's land	None
Lease Agreement	TAC Alliance Pte Ltd	January 2008~ (Note 6)	Staff dormitory.	None
Lease Agreement	Prestige Resources Pte Ltd	October 2006~ (Note 6)	Staff dormitory.	None
Investment Agreement	DDG Glass Pte Ltd.	March 2016~ (Note 7)	Participation in the capital increase of DDG Glass Pte Ltd. by cash	1. An undertaking is given that no legal action or taxation results in the contingent loss of the Company. 2. Material matters

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
				<p>require approval of all shareholders.</p> <p>3. In case of a full capacity, the affiliates of Redwood Group Ltd enjoy the priority of supply when the conditions of procurement are the same as those of other customers.</p> <p>4. In the future, if the issue price per new share is lower than the investment price of RWI, an assessment report from an independent auditor or appraiser should be provided.</p>
Investment Agreement	Thong-ming Soh and Lee-mui Teh	March 2016~ (Note 7)	Participation in the capital increase of DDG Glass Pte Ltd. by cash	<p>1. To dispose of the shares of DDG Glass Pte Ltd., Thong-ming Soh, and Lee-mui Teh, a written notice 30 days in advance shall be given.</p> <p>2. For the aforesaid matter, RWI enjoys the pre-emptive right and right of first disposal.</p>

Note 1: The bank facility agreement does not set an expiration date. The facilities under the agreement are subject to different trading periods depending on their nature. For the letter of credit, trust receipts, notes receivable factoring, bill of lading for sea/air transport guarantee, and foreign exchange loans, with the line of credit reaching SGD1.2 million, the commencement date of the contract is August 1999.

Note 2: The bank facility agreement does not set an expiration date or period. The trading period of the facility under the agreement depends on its nature. If there is no overdue or notice to stop the drawdown or mutual termination the agreement, the agreement will continue to be valid.

Note 3: Due to the non-disclosure agreement, the contracting party for construction is kept confidential.

Note 4: The construction agreement does not set the date of completion. After the construction commences upon the owner's notice, the date of completion will be set according to the progress.

Note 5: The supply agreement does not set a termination date of supply.

Note 6: The lease agreement does not set an expiration date. To terminate the agreement, a written notice should be given one month in advance, or else the agreement will continue to be valid.

Note 7: The investment agreement does not set an expiration date. The contract will continue to be valid unless Redwood Interior Pte Ltd no longer holds the shares of DDG Glass Pte Ltd. or Thong-ming Soh and Lee-mui Teh are no longer the shareholders of DDG Glass Pte Ltd.

(III) Redwood Furniture Sdn. Bhd.

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Comprehensive Credit Line Agreement	RHB Bank	April 2008~ (Note 1)	<ol style="list-style-type: none"> 1. Letter of credit, trust receipts, bank guarantees, bank acceptance, foreign currency trade finance, and bill of lading, with the line of credit reaching MYR1,850,000. 2. Bank overdrafts, with the line of credit reaching MYR1.5 million. 3. Bank guarantees, with the line of credit reaching MYR650,000. 4. Long-term loans, with the line of credit reaching MYR3.5 million. 	The plant building and land are used as a collateral.
Comprehensive Credit Line Agreement	CIMB Bank Berhad	2017.07~2022.06	<ol style="list-style-type: none"> 1. Letter of credit, trust receipts, bank acceptance, bill of lading, financial guarantee and performance guarantee, with the line of credit reaching US\$1,750,000. 2. Long-term loans, with the line of credit reaching US\$2.5 million. 	The dormitory building and land are used as a collateral.
Lease Agreement	Bee-bee Tan	2019.02~2021.01	Staff dormitory	None
Lease Agreement	Zahir Bin Jais	2017.10~2019.09	Staff dormitory	None
Supply Agreement	Redwood Interior Pte Ltd	January 2011~ (Note 2)	Redwood Furniture Sdn. Bhd. is commissioned to provide products and services.	None
Supply Agreement	Air Products Sdn. Bhd.	2015.08~2021.06	Supply of gas tank and nitrogen	None

Note 1: The comprehensive credit line agreement does not set an expiration date. The facilities under the agreement are subject to different trading periods depending on their nature.

Note 2: The supply agreement does not set a termination date of supply.

Redwood Projects Korea Co., Ltd

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Lease Agreement	Soorim Cultural Center Foundation	2017.07~2019.07	Office	None
Sales Agreement	Company L (Note 1)	November 2018~ (Note 2)	Interior decoration of Company L's store in South Korea	None
Sales Agreement	Company L (Note 1)	February 2019~ (Note 2)	Interior decoration of Company L's store in South Korea	None

Note 1: Due to the non-disclosure agreement, the contracting party for construction is kept confidential.

Note 2: The construction agreement does not set the date of completion. After the construction commences upon the owner's notice, the date of completion will be set according to the progress.

(IV) Redwood (Shanghai) Pte Ltd

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Lease Agreement	SBC Business Service (Shanghai) Co., Ltd	2019.05~2020.04	Leasing of Office	None
Sales Agreement	Company V (Note 1)	November 2018~ (Note 2)	Storefront decoration of Company V's store in China	None
Sales Agreement	Company Z (Note 1)	March 2019~ (Note 2)	Interior decoration of Company V's store in China	None

Note 1: Due to the non-disclosure agreement, the contracting party for construction is kept confidential.

Note 2: The construction agreement does not set the date of completion. After the construction commences upon the owner's notice, the date of completion will be set according to the progress.

(V) Redwood Projects Sdn Bhd

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Lease Agreement	DDG Glass Mfg Sdn Bhd	2018.08~2019.07	Leasing of Office	None
Sales Agreement	Company M (Note 1)	October 2018~ (Note 2)	Interior decoration of Company M's store in Malaysia	None
Sales Agreement	Company P (Note 1)	January 2019~ (Note 2)	General decoration and interior decoration of Company P's store in Malaysia	None

Note 1: Due to the non-disclosure agreement, the contracting party for construction is kept confidential.

Note 2: The construction agreement does not set the date of completion. After the construction commences upon the owner's notice, the date of completion will be set according to the progress.

(VI) Redwood Projects US Inc.

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clauses
Sales Agreement	Company L (Note 1)	January 2019~ (Note 2)	Interior decoration of Company L's store in the U.S.	None
Sales Agreement	Company L (Note 1)	March 2019~ (Note 2)	Interior decoration and storefront decoration of Company L's store in the U.S.	None

Note 1: Due to the non-disclosure agreement, the contracting party for construction is kept confidential.

Note 2: The construction agreement does not set the date of completion. After the construction commences upon the owner's notice, the date of completion will be set according to the progress.

Chapter 6 Overview of Financial Status

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

Unit: NT\$1,000

Item	Year	Financial Information for the Past Five Years (Note 1)					Financial Information as of March 31, 2019
		2014	2015	2016	2017	2018	
Current Assets		1,001,518	1,002,401	1,130,223	1,089,541	1,002,714	759,413
Property, Plant, and Equipment (Note 2)		596,896	512,779	461,913	475,134	508,874	544,181
Intangible Assets		-	-	-	-	-	-
Other Assets (Note 2)		13,841	36,705	78,830	113,701	155,930	170,397
Total Assets		1,612,255	1,551,885	1,670,966	1,678,376	1,667,518	1,473,991
Current Liabilities	Before distribution	477,058	563,607	510,215	500,006	607,361	413,347
	After distribution	620,608	683,232	701,615	585,419	(Note 2)	(Note 2)
Non-current Liabilities		65,131	35,223	99,100	120,703	114,010	160,568
Total Liabilities	Before distribution	542,189	598,830	609,315	620,709	721,371	573,915
	After distribution	685,739	718,455	800,715	706,122	(Note 2)	(Note 2)
Equity Attributable to Owners of Parent Company							
Share Capital		483,000	483,000	483,000	506,925	502,425	502,425
Capital Surplus		313,601	313,601	313,601	313,601	293,911	293,911
Retained Earnings	Before distribution	310,584	323,159	494,353	449,187	339,291	279,589
	After distribution	167,034	203,534	302,953	363,774	(Note 2)	(Note 2)
Others		(16,303)	(142,515)	(205,113)	(187,856)	(189,480)	(175,849)
Treasury Stock		(20,816)	(24,190)	(24,190)	(24,190)	-	-
Non-controlling Interests		-	-	-	-	-	-
Total Equity	Before distribution	1,070,066	953,055	1,061,651	1,057,667	946,147	900,076
	After distribution	926,516	833,430	870,251	972,254	(Note 2)	(Note 2)

Note 1: The CPA-audited consolidated financial statements for 2014~2018.

Note 2: The proposal for 2018 earnings distribution is yet to be passed by the shareholders' meeting.

Item \ Year	Financial Information for the Past Five Years (Note 1)					Financial Information as of March 31, 2019
	2014	2015	2016	2017	2018	
Operating Revenue	2,093,679	1,750,056	2,060,546	1,771,132	1,506,228	212,964
Gross Profit	609,137	549,273	772,245	560,047	330,025	27,237
Operating Profit or Loss	232,987	179,190	356,186	210,509	(6,305)	(67,203)
Non-operating Income and Expenses	(2,102)	13,484	14,086	(1,271)	(10,553)	(295)
Net Income before Tax	230,885	192,674	370,272	209,238	(16,858)	(67,498)
Net Income from Continuing Operations	194,724	156,125	290,819	170,159	(24,483)	(59,702)
Loss from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	194,724	156,125	290,819	170,159	(24,483)	(59,702)
Other Comprehensive Income (net, after tax)	6,667	(126,212)	(62,598)	17,257	1,983	163,631
Total Comprehensive Income	201,391	29,913	228,221	187,416	(22,500)	(46,071)
Net Income Attributable to Owners of Parent Company	194,724	156,125	290,819	170,159	(24,483)	(59,702)
Net Income Attributable to Non-controlling Interests	-	-	-	-	-	-
Total Comprehensive Income Attributable to Owners of Parent Company	201,391	29,913	228,221	187,416	(22,500)	(46,071)
Total Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	-
Earnings per Share	4.05	3.26	5.79	3.39	(0.49)	(1.19)

Note 1: The CPA-audited consolidated financial statements for 2014~2018.

(II) Name of the CPA and audit opinions for the past five years

Year	CPA Firm	Name of CPA	Opinion
2014	Deloitte Taiwan	Li-huang Li and Po-jen Weng	Unqualified opinion
2015	Deloitte Taiwan	Li-huang Li and Po-jen Weng	Unqualified opinion
2017	Deloitte Taiwan	Hui-ming Chen and Po-jen Weng	Unqualified opinion
2017	Deloitte Taiwan	Hui-ming Chen and Po-jen Weng	Unqualified opinion
FY2018	Deloitte Taiwan	Ming-chung Hsieh and Po-jen Weng	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

Item (Note 3)		Financial Analysis for the Most Recent Five Years (Note 1)					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt ratio	33.63	38.59	36.46	36.98	43.26	38.94
	Ratio of long-term funds to property, plant, and equipment	190.18	192.73	251.29	248.01	208.33	194.91
Solvency (%)	Current ratio	209.94	177.85	221.52	217.91	165.09	183.72
	Quick ratio	167.13	145.74	178.97	178.77	121.12	130.14
	Times interest earned	47.25	56.24	85.56	41.72	-0.44	-21.24
Operating Ability	Accounts receivable turnover (times)	4.14	3.63	4.93	3.89	3.45	3.16
	Average collection days	88.16	100.55	74.03	93.79	105.87	115.34
	Inventory turnover (times)	6.93	7.72	7.60	7.31	6.60	3.88
	Accounts payable turnover (times)	11.43	10.09	11.01	7.28	6.35	5.83
	Average days for sale	52.67	47.27	48.02	49.96	55.29	94.11
	Property, plant, and equipment turnover (times)	3.68	3.15	4.23	3.78	3.06	1.62
	Total assets turnover (times)	1.30	1.13	1.23	1.06	0.90	0.58
Profitability	Return on assets (%)	12.25	12.25	18.26	10.41	-0.45	-14.52
	Return on equity (%)	20.26	10.05	28.87	16.06	-2.44	-25.87
	Ratio of income before tax to paid-in capital (%)	47.80	39.89	76.66	41.28	-3.36	-53.74
	Net margin (%)	9.30	8.92	14.11	9.61	-1.63	-28.03
	Earnings per share (NT\$)	4.05	3.26	5.79	3.39	-0.49	-1.19
Cash Flows	Cash flow ratio (%)	42.39	71.39	68.28	10.09	13.88	52.64
	Cash flow adequacy ratio (%)	71.05	85.81	115.95	109.02	96.17	104.27
	Cash flow reinvestment ratio (%)	2.94	20.35	15.46	-9.08	-0.07	14.64
Leverage	Operating leverage	1.27	1.34	1.16	1.27	-9.47	0.72
	Financial leverage	1.02	1.02	1.01	1.03	0.35	0.96

Please explain changes in financial ratios for the most recent two years (over 20%):

1. Solvency: The solvency indicators in 2018 were inferior to those in 2017 with the negative times interest earned, mainly because bank loans and interest increased significantly, while operating revenue and profits decreased, leading to the net loss before interest and income taxes.
2. Profitability: In 2018, the decrease in operating revenue and profits led to the net loss, resulting in the negative profitability indicators.
3. Cash flows: In 2018, the cash flow ratio increased YOY; the negative cash flow reinvestment ratio decreased mainly due to the significant increase in the net cash flow generated from operating activities in 2018, lower cash dividends distributed, along with other factors including the increase in the gross property, plant and equipment and other non-current assets.
4. Leverage: In 2018, the operating leverage was negative; the financial leverage decreased significantly YOY mainly due to the net operating loss caused by the significant decrease in operating revenue and profits.

Note 1: The CPA-audited consolidated financial statements for 2014~2018.

Formula for IFRS financial ratios:

1. Financial Structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Ability

- (1) Accounts receivable turnover (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover = Cost of sales / Average inventory
- (4) Accounts payable turnover (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
- (5) Average days for sale = 365 / Inventory turnover
- (6) Property, plant, and equipment turnover = Net sales / Average net property, plant, and equipment
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability

- (1) Return on assets = [Profit or loss after tax + Interest expenses x (1 - Tax rate)] / Average total assets
- (2) Return on equity = Profit or loss after tax / Average total equity
- (3) Net margin = Profit or loss after tax / Net sales
- (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued (Note 4)

5. Cash Flows

- (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flows from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years
- (3) Cash flow reinvestment ratio = (Net cash flows from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital) (Note 5)

6. Leverage

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) /

Operating income (Note 6)

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 2: Special attention should be paid to the following when the above formula for earnings per share is used:

1. The weighted average number of common shares is adopted instead of the number of shares issued by the end of the year.
2. The weighted average number of shares should be calculated in consideration of the period of circulation of shares issued for capital increase by cash or treasury stock.
3. In case of a capital increase by earnings or by capital surplus, the earnings per share for the past year or half year should be retroactively adjusted based on the capital increase ratio, regardless of the period of the share issue.
4. If preferred shares are non-convertible and accumulative, preferred share dividends for the year (whether to be distributed) should be deducted from net profit after tax, or net loss after tax should be increased. If preferred shares are non-accumulative, preferred share dividends should be deducted from net profit after tax, if any; in case of the net loss after tax, no adjustment should be made.

Note 3: Special attention should be paid to the following when cash flows are measured:

1. Net cash flows from operating activities refer to Net cash flows generated from operating activities in the statement of cash flows.
2. Capital expenditures refer to cash flows used in the annual capital investment.
3. Inventory increment should only be calculated when the closing balance is larger than the opening balance. If inventory by the end of the year is reduced, inventory increment should be zero.
4. Cash dividends include cash dividends on common share and preferred share.
5. Gross property, plant, and equipment refers to total property, plant, and equipment net of accumulated depreciation.

Note 4: The operating costs and operating expenses should be classified into fixed or variable based on their nature. If estimation or subjective judgment is involved, it should be done in a reasonable and consistent manner.

III. Audit Committee's Report for the Financial Statements of the Most Recent Year

Redwood Group Ltd

Audit Committee's Approval and Review Report

The 2018 consolidated financial statements of the Company approved by the Audit Committee and passed by the Board of Directors have been audited by Deloitte Taiwan appointed by the Board of Directors. Deloitte Taiwan has issued an unqualified opinion in the audit report.

The Audit Committee is responsible for overseeing the financial reporting process of the Company.

The CPAs have audited the 2018 consolidated financial statements of the Company and communicated with the Audit Committee the following:

1. The scope and timing of the planned audit; there is no significant audit findings.
2. The CPAs have provided the Audit Committee with a statement of independence in accordance with the ROC CPA Code of Professional Ethics, and have not found any relationships and other matters that may be deemed to have an influence on their independence.
3. From the matters communicated with the Audit Committee, the CPAs have determined the key audit matters for the audit report.

The Audit Committee has reviewed the 2018 business report of the Company and 2018 deficit compensation passed by the Board of Directors and deemed them conforming to related laws and regulations.

In summary, the 2018 consolidated financial statements of the Company approved by the Audit Committee and passed by the Board of Directors and the 2018 business report and deficit compensation passed by the Board of Directors and reviewed by the Audit Committee have been conforming to related laws and regulations. According to Article 219 of the Company Act, the review report is hereby provided for verification.

Redwood Group Ltd

Chair of the Audit Committee: Min-chiu Chien

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- IV. Financial Statements for the Most Recent Year, Including an Auditor's Report Prepared by CPAs, Two-year Comparative Balance Sheets, Statements of Comprehensive Income, Changes in Equity, and Cash Flows, and Related Notes or Appendices: Please refer to #Pages 80 to 173#.**

- V. CPA-certified Parent Company Only Financial Statements for the Most Recent Year, Not Including the Statements of Major Accounting Items: Not applicable.**

- VI. Impact of Financial Difficulties the Company or Its Affiliates Have Experienced in the Most Recent Year and Up to the Date of Publication of the Annual Report on the Company's Financial Status: None.**

Redwood Group Ltd and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Redwood Group Ltd

Opinion

We have audited the accompanying consolidated financial statements of Redwood Group Ltd and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the 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 (collectively referred to as the “consolidated financial statements”).

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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Opinion

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 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, 2018. 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, 2018 are stated as follows:

Revenue recognized based on construction in progress:

As described in Notes 4, section 10 and Note 5 of the consolidated financial statements, the construction revenue of the Group was 1,506,228 thousand for the year ended December 31, 2018, the recognition of revenue and cost are based on the percentage of completion of construction. However, the calculation of estimated total cost was subject to historical experience and fluctuation of construction materials, and management's significant judgement. Because the calculation of percentage of completion of construction is significant with regard to revenue recognition, therefore, we identified the estimation of construction cost to be a key audit matter.

With evaluation of the industry and economic environment and testing of related internal controls, major audit procedures performed are the following:

1. We sampled all construction proposals and examined its estimation sheet of construction cost and amount of estimated materials, labor and manufacturing expense in accordance with the estimated total cost of the proposal.
2. We sampled all construction proposals, examined and matched unit cost with its construction cost in the estimation sheet with the latest purchasing unit cost in similar proposals.
3. We verified the percentage of actual cost input accounted for estimated total cost and compared with the completion of construction in progress accepted by the owner to evaluate the rationality of estimated total cost. If there is any difference, we obtained the statement from management and verified the rationality.
4. We sampled all construction proposals, examined its manufacturing cost in its estimated cost sheet; the expenses accrued should obtain quotation from supplier and should base on quotation, matching the amount with quotation.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 audit committee, 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 misstatement, 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 consolidated 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 misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 control.
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 and appropriate audit evidence regarding the financial information of 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 ended December 31, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming Chung Hsieh and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions.

The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

REDWOOD GROUP LTD AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 353,259	21	\$ 348,794	21
Contract assets - current (Note 21)	159,901	10	-	-
Trade receivables (Notes 9 and 28)	347,679	21	492,734	30
Other receivables (Notes 9 and 28)	193	-	90	-
Other receivables from related parties (Notes 9, 28 and 29)	59	-	431	-
Current tax assets (Note 23)	29,939	2	36,534	2
Inventories (Note 11)	59,270	3	69,665	4
Prepayments (Notes 14 and 15)	47,915	3	69,072	4
Amounts due from customers for construction contracts (Note 10)	-	-	67,495	4
Other current assets (Note 15)	<u>4,499</u>	<u>-</u>	<u>4,726</u>	<u>-</u>
Total current assets	<u>1,002,714</u>	<u>60</u>	<u>1,089,541</u>	<u>65</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 7)	92,092	6	-	-
Financial assets measure at cost - non-current (Note 8)	-	-	101,921	6
Property, plant and equipment (Notes 13 and 30)	508,874	30	475,134	28
Deferred tax assets (Note 23)	1,959	-	45	-
Prepayment for lease - non-current (Notes 14 and 15)	45,455	3	-	-
other non-current assets (Note 15)	<u>16,424</u>	<u>1</u>	<u>11,735</u>	<u>1</u>
Total non-current assets	<u>664,804</u>	<u>40</u>	<u>588,835</u>	<u>35</u>
TOTAL	<u>\$ 1,667,518</u>	<u>100</u>	<u>\$ 1,678,376</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 143,872	9	\$ 22,825	1
Contract liabilities-current (Note 21)	104,903	6	-	-
Trade payables (Notes 17 and 28)	160,378	10	209,149	13
Trade payables to related parties (Notes 17, 28 and 29)	22	-	1,118	-
Amounts due to customers for construction contracts (Note 10)	-	-	50,643	3
Other payables (Notes 18, 28 and 29)	120,863	7	104,519	6
Other payables to related parties (Notes 18 and 29)	1,554	-	625	-
Current tax liabilities (Note 23)	15,932	1	35,135	2
Current portion of long-term borrowings (Note 16)	58,486	3	62,217	4
Other current liabilities (Note 18)	<u>1,351</u>	<u>-</u>	<u>13,775</u>	<u>1</u>
Total current liabilities	<u>607,361</u>	<u>36</u>	<u>500,006</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	101,799	6	93,625	5
Deferred tax liabilities (Note 23)	<u>12,211</u>	<u>1</u>	<u>27,078</u>	<u>2</u>
Total non-current liabilities	<u>114,010</u>	<u>7</u>	<u>120,703</u>	<u>7</u>
Total liabilities	<u>721,371</u>	<u>43</u>	<u>620,709</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital - ordinary shares	<u>502,425</u>	<u>30</u>	<u>506,925</u>	<u>30</u>

Capital surplus	<u>293,911</u>	<u>18</u>	<u>313,601</u>	<u>19</u>
Retained earnings				
Special reserve	244,592	14	253,341	15
Unappropriated earnings	<u>94,699</u>	<u>6</u>	<u>195,846</u>	<u>12</u>
Total retained earnings	<u>339,291</u>	<u>20</u>	<u>449,187</u>	<u>27</u>
Other equity				
Exchange differences on translation of foreign financial statements	(178,644)	(11)	(187,856)	(11)
Unrealized gain on financial assets of fair value through other comprehensive income	<u>(10,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other equity	<u>(189,480)</u>	<u>(11)</u>	<u>(187,856)</u>	<u>(11)</u>
Treasury shares	<u>-</u>	<u>-</u>	<u>(24,190)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>946,147</u>	<u>57</u>	<u>1,057,667</u>	<u>63</u>
TOTAL	<u>\$ 1,667,518</u>	<u>100</u>	<u>\$ 1,678,376</u>	<u>100</u>

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

REDWOOD GROUP LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 29)				
Construction revenue	\$ 1,506,228	100	\$ 1,771,132	100
OPERATING COSTS (Note 29)				
Construction costs	<u>(1,176,203)</u>	<u>(78)</u>	<u>(1,211,085)</u>	<u>(68)</u>
GROSS PROFIT	<u>330,025</u>	<u>22</u>	<u>560,047</u>	<u>32</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	(8,801)	-	(9,130)	(1)
General and administrative expenses	(345,301)	(23)	(340,408)	(19)
Expected credit gain	<u>17,772</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(336,330)</u>	<u>(22)</u>	<u>(349,538)</u>	<u>(20)</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(6,305)</u>	<u>-</u>	<u>210,509</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 29)				
Other income	7,886	-	9,101	-
Other gains and losses	(6,728)	-	(5,233)	-
Finance costs	<u>(11,711)</u>	<u>(1)</u>	<u>(5,139)</u>	<u>-</u>
Total non-operating income and expenses	<u>(10,553)</u>	<u>(1)</u>	<u>(1,271)</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	(16,858)	(1)	209,238	12
INCOME TAX EXPENSE (Note 23)	<u>(7,625)</u>	<u>-</u>	<u>(39,079)</u>	<u>(2)</u>
NET (LOSS) PROFIT FOR THE YEAR	<u>(24,483)</u>	<u>(1)</u>	<u>170,159</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				

Unrealized loss on investments in debt instruments as at fair value through other comprehensive income	(7,229)	-	-	-
Exchange difference arising on translation to the presentation currency	979	-	(16,401)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>\$ 8,233</u>	<u>-</u>	<u>\$ 33,658</u>	<u>2</u>
Other comprehensive loss for the year, net of income tax	<u>1,983</u>	<u>-</u>	<u>17,257</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (22,500)</u>	<u>(1)</u>	<u>\$ 187,416</u>	<u>11</u>
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (24,483)</u>	<u>(2)</u>	<u>\$ 170,159</u>	<u>10</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (22,500)</u>	<u>(1)</u>	<u>\$ 187,416</u>	<u>11</u>
(LOSS) EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ (0.49)</u>		<u>\$ 3.39</u>	
Diluted	<u>\$ (0.49)</u>		<u>\$ 3.39</u>	

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

REDWOOD GROUP LTD AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							
	Share (Thousand)	Capital Surplus	Retained Earnings		Other Equity			Total Equity
			Special Reserve	Unappropriate d Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating Foreign Operations	Treasury Shares	
BALANCE AT JANUARY 1, 2017	\$ 483,000	\$ 313,601	\$ 176,202	\$ 318,151	\$ -	\$ (205,113)	\$ (24,190)	\$ 1,061,651
Appropriation of 2016 earnings								
Special reserve	-	-	77,139	(77,139)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(191,400)	-	-	-	(191,400)
Share dividends distributed by the Company	23,925	-	-	(23,925)	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	170,159	-	-	-	170,159
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	17,257	-	17,257
Total comprehensive income for the year ended December 31, 2017	-	-	-	170,159	-	17,257	-	187,416
BALANCE AT DECEMBER 31, 2017	506,925	313,601	253,341	195,846	-	(187,856)	(24,190)	1,057,667
Effect of retrospective application and retrospective restatement	-	-	-	-	(3,607)	-	-	(3,607)
BALANCE AT JANUARY 1, 2018	506,925	313,601	253,341	195,846	(3,607)	(187,856)	(24,190)	1,054,060
Appropriation of 2017 earnings								
Special reserve	-	-	(8,749)	8,749	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(85,413)	-	-	-	(85,413)
Share dividends distributed by the Company	-	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	(24,483)	-	-	-	(24,483)

Other comprehensive loss for the year ended December 31, 2018, net of income tax	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> (7,229)</u>	<u> 9,212</u>	<u> -</u>	<u> 1,983</u>
Total comprehensive income (loss) for the year ended December 31, 2018	<u> -</u>	<u> -</u>	<u> -</u>	<u> (24,483)</u>	<u> (7,229)</u>	<u> 9,212</u>	<u> -</u>	<u> (22,500)</u>
Treasury shares	<u> (4,500)</u>	<u> (19,690)</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> 24,190</u>	<u> -</u>
BALANCE AT DECEMBER 31, 2018	<u>\$ 502,425</u>	<u>\$ 293,911</u>	<u>\$ 244,592</u>	<u>\$ 94,699</u>	<u>\$ (10,836)</u>	<u>\$ (178,644)</u>	<u>\$ -</u>	<u>\$ 946,147</u>

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

REDWOOD GROUP LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	\$ (16,858)	\$ 209,238
Adjustments for:		
Depreciation expenses	65,997	56,844
Expected credit loss reversed on trade receivables	(17,772)	-
Impairment loss (reversed) recognized on trade receivables	-	(6,597)
Finance costs	11,711	5,139
Interest income	(1,037)	(820)
Net loss on foreign currency exchange	4	11,042
Gain on disposal of property, plant and equipment	(874)	(994)
Write-downs of inventories	485	4,483
Amortization of prepayments for leases	1,475	-
Changes in operating assets and liabilities		
Contracts assets	67,891	-
Trade receivables	(6,948)	(131,505)
Other receivables	269	73
Amounts due from customers for construction contracts	-	35,182
Inventories	9,685	17,041
Prepayments	12,212	(35,811)
Other current assets	10,791	(10,455)
Contracts liabilities	46,771	-
Trade payables	(49,867)	87,790
Other payables	4,751	(25,691)
Amounts due to customers for contracts work	-	(76,703)
Other current liabilities	<u>(5,029)</u>	<u>1,722</u>
Cash generated from operations	133,657	139,978
Interest paid	(11,711)	(5,139)
Income taxes paid	<u>(37,616)</u>	<u>(84,371)</u>
Net cash generated from operating activities	<u>84,330</u>	<u>50,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(82,603)	(62,215)

(Continued)

Purchase of financial assets measured at cost	-	(35,229)
Proceeds from disposal of property, plant and equipment	2,071	1,260
Decrease in refundable deposits	382	-
Increase in refundable deposits	-	(1,939)
Decrease in long-term receivables	9,250	5,331
Increase in prepayments for equipment	(4,977)	-
Increase in prepayments for leases	(48,549)	-
Interest received	<u>1,037</u>	<u>820</u>
Net cash used in investing activities	<u>(123,389)</u>	<u>(91,972)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 121,047	\$ 22,825
Proceeds from long-term borrowings	66,660	43,172
Repayments of long-term borrowings	(62,217)	-
Dividends paid to owners of the Company	<u>(85,413)</u>	<u>(191,400)</u>
Net cash generated from (used in) financing activities	<u>40,077</u>	<u>(125,403)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>3,447</u>	<u>(695)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	4,465	(167,602)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>348,794</u>	<u>516,396</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 353,259</u>	<u>\$ 348,794</u>
The accompanying notes are an integral part of the consolidated financial statements.		(Concluded)

REDWOOD GROUP LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Redwood Group Ltd (the “Company”) was incorporated in the Cayman Islands and established mainly for reorganization and for trading registration in Taipei Exchange. The company became a holding company of all incorporated entities in August 2010. The Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in the decoration of global boutique brand stores.

The Company’s shares have been listed on the Taipei Exchange (“TPEX”) mainboard since December 2011.

The functional currency of the Company is the Singapore dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taipei Exchange (“TPEX”) mainboard.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 20, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information related to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount			Remark	
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 348,794	\$ 348,794	-		
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	493,255	493,255	-		
Refundable deposits	Loans and receivables	Amortized cost	11,189	11,189	-		
Equity securities	Financial assets measured at cost	Fair value through other comprehensive income (FVTOCI) - equity instruments	101,921	98,314	*		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Retained Earnings	Other Equity	Remark
	Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018	Effect on January 1, 2018	Effect on January 1, 2018	
<u>FVTOCI</u>	\$ -	\$ 101,921	\$ (3,607)	\$ 98,314	\$ -	\$ (3,607)	*
Equity instruments	-						
Add: Financial assets measured at cost (IAS 39)	101,921	(101,921)	-	-	-	-	*
	<u>\$ 101,921</u>	<u>\$ -</u>	<u>(\$ 3,607)</u>	<u>\$ 98,314</u>	<u>\$ -</u>	<u>\$ (3,607)</u>	

* As equity investments previously measured at cost under IAS 39 are remeasured at fair value under IFRS 9, the adjustments would result in an increase in financial assets at FVTOCI of NT\$98,314 thousand, an decrease in other equity-unrealized gain or loss on financial assets at fair value through profit or loss (FVTPL) of NT\$3,607 thousand on January 1, 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

If the customer has retained a portion of payment to the Group in accordance with the terms of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contracts were recognized as receivables and discounted to reflect the time value of money in accordance with IAS 39.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the net effect of the progress billings, the costs incurred and the recognized profit (loss) of construction contracts were recognized as amounts due from (to) customers for construction contracts under IAS 11.

The Group elects to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Amounts due from customers for			
construction contracts	\$ 67,495	\$ (67,495)	\$ -
Trade receivables	492,734	(160,297)	332,437
Contract assets - current	<u>-</u>	<u>227,792</u>	<u>227,792</u>
 Total effect on assets	 <u>\$ 560,229</u>	 <u>\$ -</u>	 <u>\$ 560,229</u>
 Amounts due to customers for			
construction contracts	\$ 50,643	\$ (50,643)	\$ -
Advance receipts	7,489	(7,489)	-
Contract liabilities - current	<u>-</u>	<u>58,132</u>	<u>58,132</u>
 Total effect on liabilities	 <u>\$ 58,132</u>	 <u>\$ -</u>	 <u>\$ 58,132</u>

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)

Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” January 1, 2019

IFRIC 23 “Uncertainty over Income Tax Treatments” January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payment for acquiring land use right in Singapore is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ <u> </u> -	\$ <u>12,970</u>	\$ <u>12,970</u>
Total effect on assets	\$ <u> </u> -	\$ <u>12,970</u>	\$ <u>12,970</u>
Lease liabilities - current	\$ -	\$ (6,033)	\$ (6,033)
Lease liabilities - non-current	<u> </u> -	<u>(6,937)</u>	<u>(6,937)</u>
Total effect on liabilities	\$ <u> </u> -	\$ <u>(12,970)</u>	\$ <u>(12,970)</u>

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)

Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Note 4: Except for the above impact, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are Grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair

value measurement in its entirety, 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements.

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-Group 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12, Tables 8 and 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (i.e. 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 arising 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 from 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 cases, 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 translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currencies, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income the exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Group similar or related items. The net realizable value is the estimated selling price of inventories less costs of necessary input to the product to make the sale. Inventories are recorded at the first-in, first-out (FIFO) cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs.

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. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 assets may be impaired.

The 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.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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.

a) Measurement categories

2018

Financial assets are classified into the following categories: financial assets at amortized and equity investments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: loans and receivables.

Loans and receivables

Loans and receivables (including cash and cash equivalents, trade receivables, other receivables and refundable deposits) are measured at amortized cost using the effective interest

method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is

objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes 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.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

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

j. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant

financing component.

Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- a) Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the elapsed to the total expected installation time at the end of the reporting period;
- b) Service fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing services for the product sold; and
- c) Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

k. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured according to the proportion of the costs incurred to date to the estimated total costs of the contract.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profit less recognized deficits exceed progress billings, the surplus is shown as the gross amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profit less recognized deficits, the surplus is shown as the gross amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheets as a liability under other current liabilities. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheets under trade receivables.

l. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessee

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

2) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. 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 plan are recognized as an expense when employees have rendered services entitling them to the contributions.

p. Taxation

Income tax expense represents the sum of the tax currently payable 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 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 to the extent 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, 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 liabilities are settled or the assets are 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 taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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.

Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. For contracts to which IFRS 15 is applicable, incentives and penalties are considered as variable consideration and should be included in the contract revenue only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated total contract costs and contractual items are assessed and determined by management based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits and losses from the construction contracts.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2018	2017
Cash on hand	\$ 1,549	\$ 922
Checking accounts and demand deposits	<u>351,710</u>	<u>347,872</u>
	<u>\$ 353,259</u>	<u>\$ 348,794</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2018	2017
Bank balance	0%-0.83%	0%-0.83%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

**December 31,
2018**

Non-current

Investments in equity instrument at FVTOCI \$ 92,092

Investments in Equity Instrument at FVTOCI

**December 31,
2018**

Non-current

Investment in foreign

Unlisted shares \$ 92,092

The Company acquired ordinary shares of DDG Glass Pte. Ltd. on long-term strategy and expected to earn profit through investment. The management of the Company considered if the short term fluctuation of fair value of the investment is not consistent with the purpose of the aforementioned investment planning, as a result, management chose to consider the investment as fair value through other comprehensive income financial assets. The investment was

considered as financial assets at cost under regulations of IAS 39. For the reclassification and information as of 2017, refer to Notes 3 and 8.

8. FINANCIAL ASSETS MEASURED AT COST-2017

**December 31,
2017**

Non-current

Overseas unlisted ordinary shares \$ 101,921

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

December 31

	2018	2017
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Trade receivables

At amortized cost

Gross carrying amount	\$ 355,602	\$ 469,328
Retentions receivable	-	39,622
Less: Allowance for impairment loss	<u>(7,923)</u>	<u>(16,216)</u>
	<u>\$ 347,679</u>	<u>\$ 492,734</u>

Other receivables

Other receivables	\$ 193	\$ 90
Other receivables from related parties	<u>59</u>	<u>431</u>
	<u>\$ 252</u>	<u>\$ 521</u>

Long term receivable

Long term receivable	\$ -	\$ 9,251
Less: Allowance for impairment loss	<u>-</u>	<u>(9,251)</u>

December 31	
2018	2017
<u>\$ -</u>	<u>\$ -</u>

2018

The Group adopted a policy of only dealing with creditworthy counterparties and obtained sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Less than 60	61 to 180	181 to 360	361 to 720	Over 720	
	Days	Days	Days	Days	Days	Total
Expected credit loss rate	0%-0.12%	0%-0.27%	0.52%-2.27%	2%-79.33%	100%	
Gross carrying amount	\$ 223,616	\$ 72,807	\$ 47,150	\$ 6,349	\$ 5,680	\$ 355,602
Loss allowance (Lifetime ECL)	<u>(210)</u>	<u>(39)</u>	<u>(300)</u>	<u>(1,694)</u>	<u>(5,680)</u>	<u>(7,923)</u>
Amortized cost	<u>\$ 223,406</u>	<u>\$ 72,768</u>	<u>\$ 46,850</u>	<u>\$ 4,655</u>	<u>\$ -</u>	<u>\$ 347,679</u>

The movements of the loss allowance of trade receivables is as follows:

	2018
Balance at January 1, 2018 - per IAS 39	\$ 25,467
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 - per IFRS 9	25,467
Less: Net remeasurement of loss allowance	(17,772)
Foreign exchange gains and losses	<u>228</u>
Balance at December 31, 2018	<u>\$ 7,923</u>

2017

The Group applied the same credit policy in 2018 and 2017. The average credit period of sales of goods was 30 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 730 days because historical experience was that receivables that are past due beyond 730 days were not recoverable. Allowance for impairment loss was recognized against trade receivables between 211 days and 760 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31, 2017
Up to 30 days	\$ 285,715
31 to 90 days	130,425
91 to 210 days	51,023
211 to 395 days	27,724
395 days and older	<u>23,314</u>
	<u>\$ 518,201</u>

The above aging schedule was based on the number of past due days from the end of the invoice date.

The aging of receivables that were past due date but not impaired was as follows:

	December 31, 2017
1 to 90 days	\$ 130,425
Over 90 days	<u>51,023</u>
	<u>\$ 181,448</u>

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 22,963	\$ 10,228	\$ 33,191
Add: Impairment loss reversed	(4,201)	(2,396)	(6,597)
Foreign exchange translation gains and losses	<u>(1,130)</u>	<u>3</u>	<u>(1,127)</u>
Balance at December 31, 2017	<u>\$ 17,632</u>	<u>\$ 7,835</u>	<u>\$ 25,467</u>

As of December 31, 2017, trade receivables included retention receivables from construction contracts which do not earn interest and will remain as receivables until the conditions specified in each contract are satisfied for the payment of such amounts during the retention periods, which are within the normal operating cycle of the Group, of usually more than 12 months after the reporting period. Refer to Note 10 for details of construction contracts.

10. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

**December 31,
2017**

Construction costs incurred plus recognized profits less recognized losses to date	\$ 81,958
Less: Progress billings	<u>(65,106)</u>

Amount due from customers for construction contracts	<u>\$ 16,852</u>
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Reported in consolidated balance sheets

Amount due from customers for construction contracts	\$ 67,495
Amount due to customers for construction contracts	<u>(50,643)</u>

\$ 16,852

Advances received (included in other non-current liabilities)	<u>\$ 65,106</u>
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Retentions receivable	<u>\$ 39,622</u>
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The revenue from construction contracts for the year ended December 31, 2018 was \$1,771,132 thousand.

11. INVENTORIES

December 31

	2018	2017
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Raw materials	<u>\$ 59,270</u>	<u>\$ 69,665</u>
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The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$1,176,203 thousand and \$1,211,085 thousand, respectively. The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of \$485 thousand and \$4,483 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Description	Remark
			December 31			
			2018	2017		
Redwood Group Ltd	Redwood Interior Pte. Ltd.	Decoration of global advanced boutique	100	100	Acquired the ownership through exchange of shares	

		brand store			at December 10, 2010.	
Redwood Interior Pte. Ltd.	Redwood Furniture Sdn. Bhd	Design, produce and sale of customized furniture	100	100	Acquired the ownership through exchange of shares at December 10, 2010.	
Redwood Interior Pte. Ltd.	Redwood (HK) Ltd.	Decoration of global advanced boutique brand store	100	100	Established by 100% direct or indirect investment.in February 2012.	*
Redwood Interior Pte. Ltd.	Redwood (Shanghai) Pte. Ltd.	Decoration of global advanced boutique brand store	100	100	Established by 100% direct or indirect investment.in February 2012.	
Redwood Interior Pte. Ltd.	Redwood Projects Sdn. Bhd.	Decoration of global advanced boutique brand store	100	100	Established by 100% direct or indirect investment.in November 2012.	*
Redwood Interior Pte. Ltd.	Redwood Projects Korea Co., Ltd.	Decoration of global advanced boutique brand store	100	100	Established by 100% direct or indirect investment.in June 2017,	*
Redwood Interior Pte. Ltd.	Redwood Projects France S.A.S.	Decoration of global advanced boutique brand store	100	-	Established by 100% direct or indirect investment.in January 2018.	*
Redwood Interior Pte. Ltd.	Redwood Projects Japan K.K.	Decoration of global advanced boutique brand store	100	-	Established by 100% direct or indirect investment.in February 2018.	*
Redwood Interior Pte. Ltd.	Redwood Projects US Inc.	Decoration of global advanced boutique brand store	100	-	Established by 100% direct or indirect investment.in October 2018,	*

(Concluded)

Remarks:

* This is an immaterial subsidiary for consolidated statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2017	\$ 33,708	\$ 338,523	\$ 316,394	\$ 27,469	\$ 65,094	\$ 11	\$ 781,199
Additions	-	-	41,457	4,960	14,072	3,881	64,370
Disposed	-	-	(1,591)	(2,354)	(2,097)	-	(6,042)
Reclassified	-	-	-	-	-	(11)	(11)
Effect of foreign currency exchange differences	<u>496</u>	<u>3,630</u>	<u>5,638</u>	<u>162</u>	<u>159</u>	<u>4</u>	<u>10,089</u>

Balance at December 31, 2017	<u>\$ 34,204</u>	<u>\$ 342,153</u>	<u>\$ 361,898</u>	<u>\$ 30,237</u>	<u>\$ 77,228</u>	<u>\$ 3,885</u>	<u>\$ 849,605</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ 93,740	\$ 160,066	\$ 20,259	\$ 45,221	\$ -	\$ 319,286
Disposal	-	-	(1,166)	(2,354)	(2,267)	-	(5,787)
Depreciation expense	-	14,324	32,744	2,304	7,472	-	56,844
Effect of foreign currency							
exchange differences	-	790	3,070	89	179	-	4,128
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 108,854</u>	<u>\$ 194,714</u>	<u>\$ 20,298</u>	<u>\$ 50,605</u>	<u>\$ -</u>	<u>\$ 374,471</u>
Carrying amounts at December 31,							
2017	<u>\$ 34,204</u>	<u>\$ 233,299</u>	<u>\$ 167,184</u>	<u>\$ 9,939</u>	<u>\$ 26,623</u>	<u>\$ 3,885</u>	<u>\$ 475,134</u>
<u>Cost</u>							
Balance at January 1, 2018	\$ 34,204	\$ 342,153	\$ 361,898	\$ 30,237	\$ 77,228	\$ 3,885	\$ 849,605
Additions	-	265	23,103	-	2,379	69,378	95,125
Disposal	-	(40)	(20,769)	(1,556)	(15,904)	-	(38,269)
Effect of foreign currency							
exchange differences	359	3,541	3,786	305	731	39	8,761
Balance at December 31, 2018	<u>\$ 34,563</u>	<u>\$ 345,919</u>	<u>\$ 368,018</u>	<u>\$ 28,986</u>	<u>\$ 64,434</u>	<u>\$ 73,302</u>	<u>\$ 915,222</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 108,854	\$ 194,714	\$ 20,298	\$ 50,605	\$ -	\$ 374,471
Disposal	-	(23)	(19,695)	(1,556)	(15,798)	-	(37,072)
Depreciation expense	-	17,497	34,107	2,929	11,464	-	65,997
Effect of foreign currency							
exchange differences	-	945	1,321	193	493	-	2,952
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 127,273</u>	<u>\$ 210,447</u>	<u>\$ 21,864</u>	<u>\$ 46,764</u>	<u>\$ -</u>	<u>\$ 406,348</u>
Carrying amounts at December 31,							
2018	<u>\$ 34,563</u>	<u>\$ 218,646</u>	<u>\$ 157,571</u>	<u>\$ 7,122</u>	<u>\$ 17,670</u>	<u>\$ 73,302</u>	<u>\$ 508,874</u>

(Concluded)

No impairment assessment was performed for the year ended December 31, 2017 and 2018 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Building	30-50 years
Machinery	3-10 years
Transportation equipment	5-10 years
Other equipment	3-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

14. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	2018	2017
Current assets (included in prepayments)	\$ 1,619	\$ -
Non-current assets	<u>45,455</u>	<u>-</u>
	<u>\$ 47,074</u>	<u>\$ -</u>

The prepayments for leases are the rents paid by Redwood Interior Pte. Ltd. to the government for lease of land, and the Company has obtained proof of the land use rights.

Land use rights pledged as collateral for bank borrowings were set out in Note 30.

15. OTHER ASSETS

	<u>December 31</u>	
	2018	2017
Prepayments	\$ 37,697	\$ 58,508
Prepayments for lease - current	1,619	-
Other prepayments	<u>8,599</u>	<u>10,564</u>
	<u>\$ 47,915</u>	<u>\$ 69,072</u>
Other current assets	<u>\$ 4,499</u>	<u>\$ 4,726</u>

(Continued)

	<u>December 31</u>	
	2018	2017
<u>Non-current</u>		
Prepayments for lease - non-current	\$ 45,455	\$ -
Prepaid equipment	5,523	546
Refundable deposits	10,807	11,189
Others	<u>94</u>	<u>-</u>
	<u>\$ 61,879</u>	<u>\$ 11,735</u>
		(Concluded)

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 143,872</u>	<u>\$ 22,825</u>

The range of weighted average effective interest rate on bank loans was 4.257%-4.455% and 5.22% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Secured borrowings (Note 30)</u>		
Bank loans*	\$ 99,589	\$ 120,582
<u>Unsecured borrowings</u>		
Bank loans	60,696	35,260
Less: Current portion	<u>(58,486)</u>	<u>(62,217)</u>
Long-term borrowings	<u>\$ 101,799</u>	<u>\$ 93,625</u>

* As of December 31, 2018 and 2017, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and building (see Note 30) was 3.355%-5.372% and 3.1827%-5.3719% per annum, respectively.

	Major Clause	2018	2017
<u>Unsecured loan</u>			
CTBC	Long-term loan: credit line US\$2,000 thousand interest payable monthly, with interest rate of 4.1494% based on LIBOR, repayable.	\$ 60,696	\$ 35,260
<u>Secured loan</u>			
DBS Bank	Long-term loan: credit line SGD1,000 thousand interest payable monthly, with interest rate of 3.6377% based on SIBOR (Singapore Interbank Offered Rate), repayable with interest starting April 2016 in 60 monthly installments, each repayment in SGD29 thousand	99,589	120,582
RHB Bank Berhad	Long-term loan: credit line MYR3,500 thousand interest payable monthly, with interest rate of 5.05% based on BLR, repayable with interest starting July 2017 in 120 monthly installments, each repayment in MYR37 thousand	-	-
CIMB Bank	Long-term loan: credit line US\$2,500 thousand interest payable monthly, with interest rate of 5.3719% based on COF,	-	-

	repayable with interest starting September 2017 in 60 monthly installments, each repayment in US\$45 thousand		
Less: Borrowing due within one year		(58,486)	(62,217)
		<u>\$ 101,799</u>	<u>\$ 93,625</u>

17. TRADE PAYABLE

The Group has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

There is no retentions payable in the trade payable that belongs to the construction contract. Please refer to Note 10 for instructions on construction contracts.

18. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payable for salaries or bonuses	\$ 44,061	\$ 40,248
Payable for purchase of equipment	12,642	120
Payable for utilities	3,186	2,669
Payable for provident fund	3,897	4,169
Payable for professional service fees	1,801	1,775
Payable for shipping expenses	25,366	15,679
Payable for related parties	1,554	625
Others	<u>29,910</u>	<u>39,859</u>
	<u>\$ 122,417</u>	<u>\$ 105,144</u>
Other liabilities		
Receipts in advance	\$ -	\$ 7,489
Others	<u>1,351</u>	<u>6,286</u>
	<u>\$ 1,351</u>	<u>\$ 13,775</u>

19. RETIREMENT BENEFIT PLANS

The Company did not have the employee retirement plan and the local government did not require to conclude the employee retirement plan, either. Therefore, the Company did not adopt benefit pension plan.

The employees of the Group's subsidiaries adopted the contribution plan operated by local government. Pension benefits as period expenses when employees providing service are calculated on the basis of certain percentage of employees' salaries and wages.

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>50,243</u>	<u>50,693</u>
Shares issued	<u>\$ 502,425</u>	<u>\$ 506,925</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Base on resolution of the board of directors on November 14, 2017, following the Securities and Exchange Act, article 28-2, the Company shall perform the cancellation of the shares not transferred within 3 years after the date of buyback; the reduction of capital was approved by the board of directors; the target date was January 8, 2018.

On June 7, 2017, the Company's board of directors resolved to convert the Company's undistributed retained earnings into share capital by \$23,925 thousand. The transaction was approved by the FSC on July 20, 2017, and the exemption date was determined on June 30, 2017 by the board of directors.

b. Capital surplus

	December 31	
	2018	2017
Issuance of ordinary shares	<u>\$ 293,911</u>	<u>\$ 313,601</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Pursuant to Article 34.5, subject to the compliance with the Statute, the remaining amount shall be distributed in the following sequence and

manner upon approval by the members:

- 1) No less than 0.2% as employees' bonus;
- 2) No more than 5% as directors' bonus; and
- 3) No less than 50% as members' dividends, provided that, cash dividends shall not be less than 10% of the total amount of dividends.

No dividend or other distribution shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or any reserve, fund, or account as otherwise permitted by the statute. Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the number of the shares that a member holds. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Under Rule No. 1010012865, the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 19, 2018 and June 7, 2017, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Special reserve	\$ (8,749)	\$ 77,139	\$ -	\$ -
Cash dividends	85,413	191,400	1.7	4.0
Share dividends	-	23,925	-	0.5

The appropriations of earnings for 2018 had been proposed that no appropriation of earnings for 2018 by the Company's board of directors on March 20, 2019.

The appropriation of earnings for 2018 is to be presented for approval in the shareholders' meeting to be held on June 10, 2019.

d. Special reserve

	For the Year Ended December	
	31	
	2018	2017
Balance at January 1	\$ 253,341	\$ 176,202
Special reserve	-	62,598
Debits to other equity items		
Others	8,508	14,541
Reversal		
Reversal of the debit to other equity items	<u>(17,257)</u>	<u>-</u>
Balance at December 31	<u>\$ 244,592</u>	<u>\$ 253,341</u>

e. Treasury shares

	2018	2017
Number of shares at January 1	\$ 450	\$ 450
(Decrease) increase during the year	<u>(450)</u>	<u>-</u>
Number of shares at December 31	<u>\$ -</u>	<u>\$ 450</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

21. REVENUE

	For the Year Ended December	
	31	
	2018	2017
Revenue from contracts with customers		
Construction contract revenue	<u>\$ 1,506,228</u>	<u>\$ 1,771,132</u>

a. Contract information

The construction segment's properties construction contracts include terms about performance bonuses and delay penalties. The Group estimates the transaction price using the most likely amount, taking into consideration the historical contracts with similar terms and sizes.

b. Contract balances

	December 31	
	2018	2017
Trade receivables (Note 9)	<u>\$ 347,679</u>	<u>\$ 492,734</u>
Contract assets		
Retentions receivable	\$ 44,520	\$ -
Decoration project	<u>115,381</u>	<u>-</u>
	<u>\$ 159,901</u>	<u>\$ -</u>
Contract liabilities		
Decoration project	<u>\$ 104,903</u>	<u>\$ -</u>

c. Partially completed contracts

As of December 31, 2018, the aggregate amounts of the transaction prices allocated to the performance obligations that are unsatisfied are \$104,903 thousand. The Group expects to recognize the related revenue as the building is constructed, which is expected to be within 1 year.

22. NET PROFIT (LOSS)

a. Other income

	For the Year Ended December	
	31	
	2018	2017
Government grants	\$ 2,342	\$ 1,163
Interest income		
Bank deposits	1,037	820
Others	<u>4,507</u>	<u>7,118</u>
	<u>\$ 7,886</u>	<u>\$ 9,101</u>

- 1) Based on regulations of HRDF Program, to provide employee training on profession and improvements on working skills, employees in one specific scope of work are responsible of related tax duties in amount of 1% of monthly salary of each employee. Besides, regarding to coherent unit (Pembangunan Sumber Manusia Berhad) regulations, if employee joins the training program, employee can apply for subsidy from the unit by 80%-100% of total training expense. The Company recognized subsidy revenue of \$1,145 thousand and \$260 thousand in 2018 and 2017, respectively.
- 2) In order to elevate average salary and industry competitiveness, the Singapore government conducted “Wage Credit Scheme” starting from 2013 to invest small and medium business for salary raise. This program is part of public finance strategies of Singapore government to support business in transition period. The Company recognized subsidy revenue of \$1,197 thousand and \$901 thousand in 2018 and 2017, respectively.

b. Other gains and losses

	For the Year Ended December	
	31	
	2018	2017
Net foreign exchange (losses)	\$ (4,959)	\$ (3,628)
Gain on disposal of property, plant and equipment	874	994
Others	<u>(2,643)</u>	<u>(2,599)</u>
	<u>\$ (6,728)</u>	<u>\$ (5,233)</u>

c. Finance costs

	For the Year Ended December	
	31	
	2018	2017
Interest on bank loans	<u>\$ 11,711</u>	<u>\$ 5,139</u>

d. Depreciation and amortization

	For the Year Ended December	
	31	
	2018	2017
An analysis of depreciation by function		
Operating costs	\$ 29,899	\$ 29,071
Operating expenses	<u>36,098</u>	<u>27,773</u>
	<u>\$ 65,997</u>	<u>\$ 56,844</u>

e. Employee benefits expense

	For the Year Ended December	
	31	
	2018	2017
Post-employment benefits (Note 19)		
Defined contribution plan	\$ 31,506	\$ 30,950
Other employee benefits	<u>480,270</u>	<u>512,385</u>
Total employee benefits expense	<u>\$ 511,776</u>	<u>\$ 543,335</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 260,697	\$ 274,568
Operating expenses	<u>251,079</u>	<u>268,767</u>
	<u>\$ 511,776</u>	<u>\$ 543,335</u>

f. Employees' compensation and remuneration of directors

According to the Company's Articles of Association, employee bonuses and directors' compensation are calculated based on 0.2% and 2% of the net profit after tax (after deducting the employee's dividend and the amount of compensation from the directors). The distribution of shareholder dividends and employee bonuses is allocated by cash or share or cash with shares as determined by the board of directors. The board of directors may adjust the proportion of cash dividends to be adjusted according to the actual profit and operating conditions of the year. When employee bonuses are distributed by shares, employees of subordinate companies that meet certain conditions are subject to share dividends and cash dividends. The Company does not pay interest on dividends and bonuses that are not distributed.

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	-	0.2%
Remuneration of directors	-	2.0%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	\$ -	\$ 294
Remuneration of directors	-	2,939

The Company did not accrue employees' compensation and remuneration of directors and supervisors since it was net loss for the year ended December 31, 2018.

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

The Company held shareholders' meetings on June 19, 2018 and June 7, 2017, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2017 and 2016 to differ from the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017, respectively.

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors and Supervisors	Employees' Compensation	Remuneration of Directors and Supervisors
Amounts approved in the shareholders' meetings	<u>\$ 339</u>	<u>\$ 3,386</u>	<u>\$ 728</u>	<u>\$ 5,821</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 339</u>	<u>\$ 3,386</u>	<u>\$ 582</u>	<u>\$ 5,821</u>

Information on the bonus to employees and remuneration of directors resolved by the shareholders in their meeting in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Reserved gains on non-financial assets

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 13,006	\$ 18,182
Foreign exchange losses	<u>(17,965)</u>	<u>(21,810)</u>
	<u>\$ (4,959)</u>	<u>\$ (3,628)</u>

23. INCOME TAX

a. Income tax recognized in profit or loss:

	For the Year Ended December 31	
	2018	2017
<u>Current tax</u>		
In respect of the current year	<u>\$ 25,008</u>	<u>\$ 34,703</u>
<u>Deferred tax</u>		

	For the Year Ended December	
	31	
	2018	2017
<u>Current tax</u>		
In respect of the current year	<u>(17,383)</u>	<u>4,376</u>
Income tax expense recognized in profit or loss	<u>\$ 7,625</u>	<u>\$ 39,079</u>

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

	For the Year Ended December	
	31	
	2018	2017
Profit before tax	<u>\$ (16,858)</u>	<u>\$ 209,238</u>
Income tax expense calculated at the statutory rate	\$ 9,210	\$ 67,887
Nondeductible expenses in determining taxable income	19,487	16,354
Unrecognized loss deductible temporary differences	-	(749)
Tax-exempt income	(5,972)	(48,746)
Others	<u>(15,100)</u>	<u>4,333</u>
Income tax expense recognized in profit or loss	<u>\$ 7,625</u>	<u>\$ 39,079</u>

The applicable corporate income tax rate used by the Group entities in the Singapore is 17%, while the applicable tax rate used by subsidiaries in Malaysia is 24%. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current tax assets		
Tax refund receivable	<u>\$ 29,939</u>	<u>\$ 36,534</u>
Current tax liabilities		
Income tax payable	<u>\$ 15,932</u>	<u>\$ 35,135</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
Temporary differences				
Exchange gains and losses	\$ 19	\$ 12	\$ (13)	\$ 18
Depreciation expense	26	66	2	94
Property, plant and equipment	-	(11)	-	(11)
Tax losses	-	1,832	11	1,843
Others	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
	<u>\$ 45</u>	<u>\$ 1,899</u>	<u>\$ 15</u>	<u>\$ 1,959</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
Write-down of inventory	\$ (5,272)	\$ (158)	\$ (52)	\$ (5,482)
Unrealized exchange gains and losses	1,525	(2,633)	67	(1,041)
Property, plant and equipment	30,825	1,769	288	32,882
Others	<u>-</u>	<u>(14,462)</u>	<u>314</u>	<u>(14,148)</u>

	<u>\$ 27,078</u>	<u>\$(15,484)</u>	<u>\$ 617</u>	<u>\$ 12,211</u>
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For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
Temporary differences				
Unrealized exchange gains and losses	\$ 19	\$ -	\$ -	\$ 19
Depreciation expense	26	-	-	26
Tax losses	<u>-</u>	<u>12</u>	<u>(12)</u>	<u>-</u>
	<u>\$ 45</u>	<u>\$ 12</u>	<u>\$ (12)</u>	<u>\$ 45</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
Write-down of inventory	\$ (6,337)	\$ (1,108)	\$ 2,173	\$ (5,272)
Unrealized exchange gains and losses	5,555	42	(4,072)	1,525
Repair fee	(133)	-	133	-
Property, plant and equipment	<u>23,267</u>	<u>5,454</u>	<u>2,104</u>	<u>30,825</u>
	<u>\$ 22,352</u>	<u>\$ 4,388</u>	<u>\$ 338</u>	<u>\$ 27,078</u>

d. Income tax assessments

Except for the Company not subject to income tax, the tax returns of Redwood Interior Pte. Ltd., Redwood Furniture Sdn. Bhd. and Redwood Projects Sdn. Bhd. until 2017, have been assessed by the tax authorities

e. Information about unused loss carryforwards

	December 31	
	2018	2017
Loss carryforwards		
No expiration date	<u>\$ 11,503</u>	<u>\$ -</u>

24. (LOSS) EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2018	2017
Basic (loss) earnings per share	<u>\$ (0.49)</u>	<u>\$ 3.39</u>
Diluted (loss) earnings per share	<u>\$ (0.49)</u>	<u>\$ 3.39</u>

The (loss) earnings and weighted average number of ordinary shares outstanding used in the computation of (loss) earnings per share are as follows:

Net (Loss) Profit for the Year

	For the Year Ended December	
	31	
	2018	2017
(Loss) earnings used in the computation of basic earnings per share	<u>\$ (24,483)</u>	<u>\$ 170,159</u>
(Loss) earnings used in the computation of diluted earnings per share	<u>\$ (24,483)</u>	<u>\$ 170,159</u>

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December	
	31	
	2018	2017
Weighted average number of ordinary shares in computation of basic (loss) earnings per share	50,243	50,243
Effect of potentially dilutive ordinary shares:		
Bonus to employees	<u> -</u>	<u> 10</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>50,243</u>	<u>50,253</u>

If the Group offered to settle bonuses paid to employees in cash or shares, the Group assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. CASH FLOWS INFORMATION

Non-cash Transaction

For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

- a. The Group acquired property, plant and equipment with fair value of \$95,125 thousand, the equipment payable was increased by \$12,522 thousand, in cash payment of \$82,603 thousand for the year ended December 31, 2018. (Refer to Note 13).
- b. The Group acquired property, plant and equipment with fair value of \$64,370 thousand, the equipment payable was reduced by \$142 thousand, prepayment for equipment reduced by \$2,297 thousand, in cash payment of \$62,215 thousand for the year ended December 31, 2018. (Refer to Note 13).

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of store spaces with lease term of 1 to 5 years. The Group does not have a bargain purchase option to acquire the leased property at the expiration of the lease periods.

The future minimum lease payments under non-cancellable operating lease commitments are as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 4,810	\$ 5,930
Later than 1 year and not later than 5 years	294	4,086
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 5,104</u>	<u>\$ 10,016</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to be approximate amounts of their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 92,092	\$ 92,092

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

<u>Financial assets</u>	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	\$ 98,314
Recognized in other comprehensive income	(7,229)
Net exchange difference	<u>1,007</u>
Balance at December 31, 2018	<u>\$ 92,092</u>

The fair values of overseas unlisted equity securities were determined by the market approach. Due to no liquidity on an open market, a liquidity discount was applied to these securities based on the option pricing model. The applied significant unobservable input 24.28% is regarded as the assumed liquidity discount in an available market.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	\$ -	\$ 853,238
Financial assets measure at cost	-	101,921
Financial assets at amortized cost (2)	711,997	-
Financial assets at FVTOCI		
Equity instruments	92,092	-
Financial liabilities		
Financial liabilities at amortized cost (3)	586,974	494,078

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade and other receivables and refundable deposits.
- 2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade and other receivables, and refundable deposits.
- 3) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, trade and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group is mainly exposed to the currency MYR, and currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the Singapore dollar against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

A positive number below indicates an increase in pre-tax profit and other equity associated with the Singapore dollar strengthening 1% against the relevant currency. For a 1% weakening of the Singapore dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Currency MYR's Impact	
	For the Year Ended December	
	31	
	2018	2017
Profit or loss	\$ (1,133)	\$ (2,302)

	Currency USD's Impact	
	For the Year Ended December	
	31	
	2018	2017
Profit or loss	\$ 1,115	\$ 1,166

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

Sensitivity analysis

If interest rates had been 0.5% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would have decreased by \$801 thousand and \$779 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (2) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 143,872	\$ -	\$ -
Trade payables	160,400	-	-
Other payables	122,417	-	-
Current portion of long-term borrowings	58,486	-	-
Long-term borrowings	<u>-</u>	<u>91,846</u>	<u>9,953</u>
	<u>\$ 485,175</u>	<u>\$ 91,846</u>	<u>\$ 9,953</u>

December 31, 2017

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			

Short-term borrowings	\$ 22,825	\$ -	\$ -
Trade payables	210,267	-	-
Other payables	105,144	-	-
Current portion of long-term borrowings	62,217	-	-
Long-term borrowings	<u>-</u>	<u>82,908</u>	<u>10,717</u>
	<u>\$ 400,453</u>	<u>\$ 82,908</u>	<u>\$ 10,717</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2018	2017
Unsecured bank overdraft facility:		
Amount used	\$ 182,088	\$ 58,085
Amount unused	<u>12,240</u>	<u>171,427</u>
	<u>\$ 194,328</u>	<u>\$ 229,512</u>
Secured bank overdraft facility:		
Amount used	\$ 122,069	\$ 120,582
Amount unused	<u>653,551</u>	<u>96,253</u>
	<u>\$ 775,620</u>	<u>\$ 216,835</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
DDG Glass Pte. Ltd.	Related party in substance

b. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2018	2017
Related party in substance	<u>\$ 27,436</u>	<u>\$ 23,890</u>

There is no significant difference between the conditions for the purchase of the related party and non-related party.

c. Receivables from related parties (excluding loans to related parties and contract assets)

Line Items	Related Party Categories	December 31	
		2018	2017
Other receivables	Related party in substance	<u>\$ 59</u>	<u>\$ 431</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31	
		2018	2017
Trade payables	Related party in substance	<u>\$ 22</u>	<u>\$ 1,118</u>
Other payables	Related party in substance	<u>\$ 1,554</u>	<u>\$ 625</u>

The outstanding trade payables to related parties are unsecured.

e. Disposals of property, plant and equipment

Related Party Category	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Related party in substance	<u>\$ 705</u>	<u>\$ -</u>	<u>\$ (202)</u>	<u>\$ -</u>

f. Other transactions with related parties

Line Items	Related Party Categories	December 31	
		2018	2017
Other income	Related party in substance	<u>\$ 2,428</u>	<u>\$ 2,859</u>
Rent expense	Related party in substance	<u>\$ 45</u>	<u>\$ 42</u>
Refundable deposits	Related party in substance	<u>\$ 4</u>	<u>\$ 4</u>

Subsidiary Redwood Projects Sdn. Bhd. leases the business premises from the substantive person of the Group. The rent is not subject to significant differences in the signing of the contract according to the general market conditions.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 21,899	\$ 26,946
Post-employment benefits	<u>1,035</u>	<u>1,060</u>
	<u>\$ 22,934</u>	<u>\$ 28,006</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings.

	<u>December 31</u>	
	2018	2017
Land	\$ 34,563	\$ 34,204
Land access	47,074	-
Buildings	182,470	192,961
Equipments	<u>26,570</u>	<u>27,794</u>
	<u>\$ 290,677</u>	<u>\$ 254,959</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

Significant Commitments

- a. As of December 31, 2018 and 2017, the merger company signs a contractual commitment with the manufacturer for purchases machinery and equipment amounted to approximately \$833 thousand and \$5,090 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	2018	2017
Acquisition of property, plant and equipment	<u>\$ 479,265</u>	<u>\$ -</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

Unit: In Thousands for Currencies, Except Exchange Rates

<u>Financial assets</u>	Foreign Currencies	Exchange Rate	Carrying Amount
Monetary items			
USD	\$ 7,763	30.348 (USD:NTD)	<u>\$ 235,590</u>

Financial liabilities

Monetary items

USD	4,089	30.348 (USD:NTD) 7.3959	\$ 124,105
MYR	15,319	(MYR:NTD)	<u>113,297</u>
			<u>\$ 237,402</u>

December 31, 2017

Unit: In Thousands for Currencies, Except Exchange Rates

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,591	29.3832 (USD:NTD)	\$ 164,281
RMB	229	4.565 (RMB:NTD)	<u>1,045</u>
			<u>\$ 165,326</u>

Financial liabilities

Monetary items

USD	2,296	29.3832 (USD:NTD)	\$ 67,464
MYR	26,107	7.3191 (MYR:NTD)	191,080
RMB	229	4.565 (RMB:NTD)	<u>1,045</u>
			<u>\$ 259,589</u>

The Group is mainly exposed to SGD, MYR, HKD, RMB and KRW. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

For the Year Ended December 31

Foreign Currencies	2018		2017	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
SGD	22.48 (SGD:NTD)	\$ (5,130)	22.26 (SGD:NTD)	\$ (8,528)
	7.3959	318	7.3191	3,762
MYR	(MYR:NTD)		(MYR:NTD)	
HKD	3.9205 (HKD:NTD)	(336)	3.807 (HKD:NTD)	883
RMB	4.4713 (RMB:NTD)	279	4.565 (RMB:NTD)	119
KRW	0.027 (KRW:NTD)	<u>(90)</u>	0.0281 (KRW:NTD)	<u>136</u>
		<u>\$ (4,959)</u>		<u>\$ (3,628)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures).
(Table 3)

- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
 - 6) Disposal of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information on investees. (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 10)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

b. Geographical information

The Group operates in three principal geographical areas - Singapore, Malaysia, and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers			
	For the Year Ended		Non-current Assets	
	December 31		December 31	
	2018	2017	2018	2017
Asian	\$ 1,264,316	\$ 1,572,295	\$ 662,845	\$ 588,790
Middle East	8,197	18,699	-	-
America	220,670	172,208	-	-
Europe	<u>13,045</u>	<u>7,930</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,506,228</u>	<u>\$ 1,771,132</u>	<u>\$ 662,845</u>	<u>\$ 588,790</u>

Non-current assets do not include deferred income tax assets.

c. Information about major customers

Included in revenue arising from decoration of global advanced boutique brand store of \$1,506,228 thousand and \$1,771,132 thousand in 2018 and 2017, respectively, is revenue of approximately \$957,627 thousand and \$1,176,287 thousand which arose from sales to the Group's largest customer.

Single customers contributing 10% or more to the Group's revenue were as follows:

**For the Year Ended December
31**

	2018	2017
Customer A (Note 1)	\$ 305,491	\$ 316,642
Customer B (Note 1)	241,623	(Note 2)
Customer C (Note 1)	210,208	229,782
Customer D (Note 1)	200,305	200,969
Customer E (Note 1)	(Note 2)	222,430
Customer F (Note 1)	<u>(Note 2)</u>	<u>206,464</u>
	<u>\$ 957,627</u>	<u>\$ 1,176,287</u>

Note 1: Revenue from decoration.

Note 2: Single customers contributing 10% less to the Group's revenue.

REDWOOD GROUP LTD AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	Redwood Group Ltd	Redwood Interior Pte. Ltd.	Other receivables for related parties	Yes	\$ 30,000	\$ 30,000	\$ -	-	Short-term financing	\$ -	Financing need	\$ -	-	\$ -	\$ 283,844	\$ 378,459
		Redwood Furniture Sdn. Bhd.	Other receivables for related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Financing need	-	-	-	283,844	378,459
1	Redwood Interior Pte. Ltd.	Redwood Furniture Sdn. Bhd.	Other receivables for related parties	Yes	100,000	60,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Furniture Sdn. Bhd.	Other receivables for related parties	Yes	60,000	60,000	-	-	Business transaction	455,654	-	-	-	-	978,771	978,771
		Redwood (Shanghai) Pte. Ltd.	Other receivables for related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood (Shanghai) Pte. Ltd.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	12,441	-	-	-	-	978,771	978,771
		Redwood (HK) Ltd.	Other receivables for related parties	Yes	30,000	12,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood (HK) Ltd.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	-	-	-	-	-	978,771	978,771
		Redwood Projects Sdn. Bhd.	Other receivables for related parties	Yes	10,000	10,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Projects Sdn. Bhd.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	6,497	-	-	-	-	978,771	978,771
		Redwood Group Ltd	Other receivables for related parties	Yes	30,000	30,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Projects Japan K.K.	Other receivables for related parties	Yes	12,000	12,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Projects Japan K.K.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	594	-	-	-	-	978,771	978,771

		Redwood Projects France S.A.S.	Other receivables for related parties	Yes	12,000	12,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Projects France S.A.S.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	70	-	-	-	-	978,771	978,771
		Redwood Projects Korea Co., Ltd.	Other receivables for related parties	Yes	12,000	12,000	-	-	Short-term financing	-	Financing need	-	-	-	978,771	978,771
		Redwood Projects Korea Co., Ltd.	Other receivables for related parties	Yes	12,000	12,000	-	-	Business transaction	6,282	-	-	-	-	978,771	978,771
2	Redwood Furniture Sdn. Bhd.	Redwood Projects Sdn. Bhd.	Other receivables for related parties	Yes	25,000	25,000	-	-	Business transaction	49,455	-	-	-	-	446,885	446,885

Note 1: The limit amount is calculated as follows:

- a. The total amount available for lending purpose shall not exceed \$946,147 (in thousands) x 40% = \$378,459 (in thousands) of the net worth of Redwood Group Ltd. The total amount for lending to a company for funding for a short-term period shall not exceed \$946,147 (in thousands) x 30% = \$283,844 (in thousands) for funding between domestic and foreign subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares of the net worth of Redwood Group Ltd
- b. The total amount available for lending purpose shall not exceed \$978,771 (in thousands) x 40% = \$391,508 (in thousands) of the net worth of Redwood Interior Pte. Ltd.
If there are transactions between Redwood Interior Pte. Ltd. and subsidiaries, the total amount available for lending purpose shall not exceed the amount of business transactions in the most recent year. The total amount available for lending purpose shall not exceed \$978,771 (in thousands) x 20% = \$195,754 (in thousands) of the net worth of Redwood Interior Pte. Ltd.
The total amount for lending to a company for funding for a short-term period shall not exceed \$978,771 (in thousands) x 100% = \$978,771 (in thousands) for funding between domestic and foreign subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares of the net worth of Redwood Interior Pte. Ltd.
- c. The total amount available for lending purpose shall not exceed \$446,885 (in thousands) x 40% = \$178,754 (in thousands) of the net worth of Redwood Furniture Sdn. Bhd.
If there are transactions between Redwood Interior Pte. Ltd. and subsidiaries, the total amount available for lending purpose shall not exceed the amount of business transactions in the most recent year. The total amount available for lending purpose shall not exceed \$446,885 (in thousands) x 20% = \$89,377 (in thousands) of the net worth of Redwood Furniture Sdn. Bhd.
The total amount for lending to a company for funding for a short-term period shall not exceed \$446,885 (in thousands) x 100% = \$446,885 (in thousands) for funding between domestic and foreign subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares of the net worth of Redwood Furniture Sdn. Bhd.

Note 2: Transactions have been written off in these consolidated financial statements

REDWOOD GROUP LTD AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement / Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement / Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement / Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement / Guarantee Limit	Endorsement / Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement / Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement / Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Redwood Group Ltd	Redwood Interior Pte. Ltd.	Note 1	\$ 1,135,376	\$ 760,873	\$ 759,310	\$ 181,350	\$ -	80.25	\$ 1,135,376	Y	N	N
1	Redwood Interior Pte. Ltd.	Redwood Furniture Sdn. Bhd.	Note 2	783,017	21,189	16,489	16,489	-	1.74	783,017	N	N	N

Note 1: Subsidiary

Note 2: Second-tier subsidiary

Note 3: According to Redwood Group Ltd, the endorsement of the operating procedures is guaranteed as follows:

- The total amount of the external endorsement guarantee is 120% of the net equity value and the limit for endorsement of a single enterprise is 20% of the net equity value.
- According to the above regulations, the maximum limit for the endorsement of the external endorsement on December 31, 107 is the net value of 946,147 (in thousands) \times 120%=1,135,376 (in thousands); the limit for endorsement of a single enterprise is net value of 946,147 (in thousands) \times 20% = 189,229 (in thousands). If the Company directly and indirectly holds 100% of the voting rights of the Company, it is not subject to the guarantee limit of the single enterprise endorsement.

Note 4: According to Redwood Interior Pte. Ltd., the endorsement of the operating procedures is guaranteed as follows:

- The total amount of the external endorsement guarantee is 120% of the net equity value and the limit for endorsement of a single enterprise is 20% of the net equity value.
- According to the above regulations, the maximum limit for the endorsement of the external endorsement on December 31, 107 is the net value of 978,771 (in thousands) \times 120%=783,017 (in thousands); the limit for endorsement of a single enterprise is net value of 978,771 (in thousands) \times 20% = 195,754 (in thousands). If the Company directly and indirectly holds 100% of the voting rights of the Company, it is not subject to the guarantee limit of the single enterprise endorsement.

REDWOOD GROUP LTD AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018			
				Number of Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
Redwood Interior Pte. Ltd.	Unlisted shares DDG Glass Pte. Ltd.	Related party in substance	Financial assets at FVTOCI	8,387	\$ 92,092	18.48	\$ 92,092

REDWOOD GROUP LTD AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Redwood Interior Pte. Ltd.	Property, plant and equipment	2017.10.5	\$ 516,810 (SGD 23,000)	\$ 37,545 (SGD 1,671)	Trust - Build Engineering & Construction Pte. Ltd.	NA	-	-	-	\$ -	Note 1	Self-use	-

Note 1: The assets obtained should be valued according to the regulations, and the results of the valuation should be indicated in the “Reference Basis for Price Determination” column.

Note 2: The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer’s share has no denomination or the denomination is not NT\$10, the transaction amount of 20% of the paid-up 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.

REDWOOD GROUP LTD AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Redwood Furniture Sdn. Bhd.	Redwood Interior Pte. Ltd.	Subsidiary	Sale	\$ 455,654	86	30 days of the month	According to the Company's transfer pricing policy	-	\$ 112,183	96	

REDWOOD GROUP LTD AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Redwood Furniture Sdn. Bhd.	Redwood Interior Pte. Ltd.	Subsidiary	\$ 112,183	1.67	\$ -	-	\$ 112,183	\$ -

Note: The calculation of the turnover rate does not include other receivables from related parties.

REDWOOD GROUP LTD AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
1	Redwood Interior Pte. Ltd.	Redwood Furniture Sdn. Bhd.	3	Accounts payable	\$ 112,183 (SGD 4,990)	No significant difference in terms for related parties	7
		Redwood Furniture Sdn. Bhd.	3	Purchase	455,654 (SGD20,391)	By Redwood Interior Pte. Ltd. transfer pricing policy	29
		Redwood Furniture Sdn. Bhd.	3	Other receivables	68,541 (SGD 3,049)	No significant difference in terms for related parties	4
		Redwood Projects Sdn. Bhd.	3	Sale	6,497 (SGD 291)	By Redwood Interior Pte. Ltd. transfer pricing policy	
		Redwood Projects Sdn. Bhd.	3	Accounts payable	216 (SGD 10)	No significant difference in terms for related parties	
		Redwood Projects Sdn. Bhd.	3	Other receivables	311 (SGD 14)	No significant difference in terms for related parties	
		Redwood (Shanghai) Pte. Ltd.	3	Sale	12,441 (SGD 557)	By Redwood Interior Pte. Ltd. transfer pricing policy	
		Redwood Projects Korea Co., Ltd.	3	Other receivables	497 (SGD 23)	No significant difference in terms for related parties	
		Redwood Projects Korea Co., Ltd.	3	Sale	6,282 (SGD 281)	No significant difference in terms for related parties	
		Redwood Projects Korea Co., Ltd.	3	Interest revenue	56 (SGD 3)	No significant difference in terms for related parties	
		Redwood Projects Japan K.K.	3	Sale	594 (SGD 27)	By Redwood Interior Pte. Ltd. transfer pricing policy	
		Redwood Projects Japan K.K.	3	Other receivables	597 (SGD 27)	No significant difference in terms for related parties	
		Redwood Projects France S.A.S.	3	Purchase	70 (SGD 3)	By Redwood Interior Pte. Ltd. transfer pricing policy	
Redwood Projects France S.A.S.	3	Other payables	44 (SGD 2)	No significant difference in terms for related parties			

		Redwood Projects US Inc.	3	Other receivables	546 (SGD 24)	No significant difference in terms for related parties	
2	Redwood Furniture Sdn. Bhd.	Redwood Projects Sdn. Bhd.	3	Sale	49,455 (SGD 2,213)	By Redwood Interior Pte. Ltd. transfer pricing policy	3
		Redwood Projects Sdn. Bhd.	3	Accounts receivable	4,567 (SGD 203)	No significant difference in terms for related parties	

(Continued)

Note 1: Intercompany relationships and significant intercompany transactions information are noted within the number column as follows:

- a. Number 0 represents the parent company.
- b. Number 1 to 2 represents subsidiaries.

Note 2: Parties involved in the transaction have a directional relationship noted by the following:

- a. No.1 represents transactions from parent company to subsidiary.
- b. No.2 represents transactions from subsidiary to parent company.
- c. No.3 represents transactions between subsidiaries.

Note 3: The amounts of asset accounts and liability accounts are calculated as a percentage of the consolidated total assets. The amounts of income accounts are calculated as a percentage of the consolidated total sales.

Note 4: The above transactions has been written off in the consolidated statement.

(Concluded)

REDWOOD GROUP LTD AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
The Company	Redwood Interior Pte. Ltd.	Singapore	Decoration of global advanced boutique brand store	\$ 704,949 (SGD 30,034)	\$ 704,949 (SGD 30,034)	-	100	\$ 978,771	\$ (7,303)	\$ (7,303)	Subsidiary
Redwood Interior Pte. Ltd.	Redwood Furniture Sdn. Bhd.	Malaysia	Design, produce and sale of customized furniture	509,476 (SGD 21,668)	509,476 (SGD 21,668)	-	100	446,885	(61,170)	(61,170)	Second-tier subsidiary
	Redwood (HK) Ltd.	Hong Kong	Decoration of global advanced boutique brand store	6,081 (HK\$ 1,560)	6,081 (HK\$ 1,560)	-	100	11,830	8,822	8,822	Second-tier subsidiary
	Redwood Projects Sdn. Bhd.	Malaysia	Decoration of global advanced boutique brand store	6,195 (SGD 256)	6,195 (SGD 256)	-	100	57,761	16,082	16,082	Second-tier subsidiary
	Redwood Projects Korea Co., Ltd.	Korea	Decoration of global advanced boutique brand store	11,160 (KRW 400,000)	2,729 (KRW 100,000)	-	100	3,988	(3,493)	(3,493)	Second-tier subsidiary
	Redwood Projects France S.A.S.	France	Decoration of global advanced boutique brand store	7,190 (EUR 200)	- (EUR -)	-	100	1,265	(5,791)	(5,791)	Second-tier subsidiary
	Redwood Projects Japan K.K.	Japan	Decoration of global advanced boutique brand store	11,980 (JPY 45,000)	- (JPY -)	-	100	7,219	(5,224)	(5,224)	Second-tier subsidiary
	Redwood Projects US Inc.	U.S.A.	Decoration of global advanced boutique brand store	15,493 (US\$ 500)	- (US\$ -)	-	100	12,784	(2,376)	(2,376)	Second-tier subsidiary

Note 1: For information of investments in mainland China, please refer to Table 9.

Note 2: The exchange rate was SGD1=NT\$22.48; MYR1=NT\$7.3959; HK\$1=NT\$3.9205; KRW1=NT\$0.027; EUR1=NT\$35.1992; JPY1=NT\$0.2788; US\$1=NT\$30.348 as of December 31, 2018.

REDWOOD GROUP LTD AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Redwood (Shanghai) Pte. Ltd.	Decoration of global advanced boutique brand store	\$ 24,486 (US\$ 825)	Established by 100% direct investment by Redwood Interior Pte. Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 27,347	100	\$ 27,347	\$ 113,293	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ -	\$ -	\$ -

Note: Amount was recognized based on the audited financial statements.

REDWOOD GROUP LTD AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Redwood (Shanghai) Pte. Ltd.	Purchase and revenue	\$ 12,441		Note	Note	Note	\$ -	-	\$ -	

Note: Refer to Table 7

Chapter 7 Review and Analysis of Financial Position and Financial Performance, and Risks

I. Financial Position

Comparative Analysis of Financial Position

Unit: NT\$1,000; %

Item \ Year	December 31, 2018	December 31, 2017	Variation	
			Amount	%
Current Assets	1,002,714	1,089,541	(86,827)	(7.97)
Funds and Investment	-	-	-	-
Fixed Assets	508,874	475,134	33,740	7.10
Intangible Assets	-	-	-	-
Other Assets	155,930	113,701	42,229	37.14
Total Assets	1,667,518	1,678,376	(10,858)	(0.65)
Current Liabilities	607,361	500,006	107,355	21.47
Long-term Liabilities	101,799	93,625	8,174	8.73
Other Liabilities	12,211	27,078	(14,867)	(54.90)
Total Liabilities	721,371	620,709	100,662	16.22
Share Capital	502,425	506,925	(4,500)	(0.89)
Capital Surplus	293,911	313,601	(19,690)	(6.28)
Retained Earnings	339,291	449,187	(109,896)	(24.47)
Others	(189,480)	(187,856)	(1,624)	(0.86)
Treasury Stock	-	(24,190)	24,190	100.00
Total Equity	946,147	1,057,667	(111,510)	(10.54)
Please explain any material changes (amounting over 10% and accounting for 1% of total assets):				
1. Other assets: Mainly due to the prepaid land leases on the new office of Redwood Interior Pte Ltd in 2018.				
2. Current liabilities: Mainly due to the increase in bank loans in 2018.				
3. Other liabilities: Mainly due to the decrease in deferred income tax liabilities in 2018.				
4. Retained earnings: Mainly due to the decrease in operating revenue and profits in 2018.				
5. Treasury stock: Mainly due to the cancellation of treasury stock in 2018.				

Source: The CPA-audited consolidated financial statements for 2017~2018.

II. Financial Performance

Comparative Analysis of Financial Performance

Unit: NT\$1,000; %

Item \ Year	2018	2017	Variation	
			Amount	%
Net Operating Revenue	1,506,228	1,771,132	(264,904)	(14.96)
Operating Costs	1,176,203	1,211,085	(34,882)	(2.88)
Gross Profit	330,025	560,047	(230,022)	(41.07)
Operating Expenses	336,330	349,538	(13,208)	(3.78)
Operating Income (Loss)	(6,305)	210,509	(216,814)	(103.00)
Non-operating Income and Expenses	(10,553)	(1,271)	(9,282)	(730.29)
Net Income (Loss) before Tax	(16,858)	209,238	(226,096)	(108.06)
Income Tax Expenses	7,625	39,079	(31,454)	(80.49)
Net Income (Loss)	(24,483)	170,159	(194,642)	(114.39)

Please explain any material changes (amounting over 10% and accounting for 1% of total assets):

1. Operating revenue: Mainly due to the small scale and number of projects in 2018.
2. Gross profit: Mainly due to a lower reduction in variable costs of operations than that in operating revenue in 2018, and a decline in production capacity.
3. Operating income (loss): Mainly due to the decrease in the gross profit in 2018; while operating expenses remained similar for the most recent two years.
4. Non-operating income and expenses: Mainly due to the increase in USD exchange losses and interest arising from increasing bank loans in 2018.
5. Net income (loss) before tax: Mainly due to the operating loss and the increase in non-operating expenses in 2018.
6. Income tax expenses: Mainly due to the decrease in the net profit before tax in 2018.
7. Net income (loss): Mainly due to the decrease in operating revenue and profits in 2018.

Source: The CPA-audited consolidated financial statements for 2017~2018.

III. Cash Flows

(I) Analysis of cash flow changes in the most recent year

Unit: NT\$1,000; %

Year Item	2018	2017	Change by Amount	Change by Percentage
Net Cash Inflows (Outflows) from Operating Activities	84,330	50,468	33,862	67.10
Net Cash Inflows (Outflows) from Investing Activities	(123,389)	(91,972)	(31,417)	(34.16)
Net Cash Inflows (Outflows) from Financing Activities	40,077	(125,403)	165,480	131.96

Analysis of Cash Flows

(1) Cash flow changes in the most recent year:
 Operating activities: Net cash inflows from operating activities increased mainly due to the decrease in current contract assets, the increase in current contract liabilities, and the decrease in income tax payable, in 2018.
 Investing activities: Net cash outflows in investing activities increased mainly due to the prepaid land leases on the new office of Redwood Interior Pte Ltd in 2018.
 Financing activities: Net cash inflows from financing activities increased mainly due to the increase in bank loans and the decrease in cash dividends distributed in 2018.

(2) Remedial measures for projected cash flow shortfalls and liquidity analysis:
 Investment plan: Not applicable.
 Financing plan: Not applicable.

(II) Analysis of liquidity for the upcoming year (2019)

Unit: NT\$1,000

Cash Balance, Beginning of Year (1)	Net Cash Flows from Operating Activities (2)	Net Cash Flows from Other Activities (3)	Cash Balance, End of Year (1)+(2)+(3)	Remedial Measures for Cash Flow Shortfalls	
				Investment Plan	Financing Plan
353,259	131,902	(40,083)	445,078	—	—

IV. Impact of Any Major Capital Expenditures on Financial Operations during the Most Recent Year

Unit: NT\$1,000

Item	Date of Acquisition	Price	Reason for Acquisition	Impact on Financial Operations
Construction of a New Office	2018.10- 2018.12	37,545	To meet the needs of business and production	Cash transactions, cash outflows
Construction of a New Office	2019.01- 2019.03	36,757	To meet the needs of business and production	Cash transactions, cash outflows

V. Investment Policy for the Most Recent Year, Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Investment Profitability, and Investment Plans for the Upcoming Year

Unit: NT\$1,000

Item	Profit/Loss Recognized in 2018	Investment Policy	Reason for Profit/Loss	Improvement Plan
Redwood Interior Pte Ltd	(7,303)	Develop key operations in the global market and provide sales and technical support	Mainly due to the decrease in operating revenue and profits in 2018	Develop new markets and customers, increase the number of orders, and control construction costs
Redwood Furniture Sdn. Bhd.	(61,170)	Provide key operations for production and research and development	Mainly due to the decrease in the number of orders and production capacity in 2018	Improve the production capacity, craftsmanship, and efficiency
Redwood (Shanghai) Pte Ltd	27,347	Develop key operations in Greater China and provide sales and technical support	Good business performance	Not applicable
Redwood (HK) Ltd	8,822	Act as the operation for sales in Hong Kong	Good business performance	Not applicable
Redwood Projects Sdn. Bhd.	16,082	Develop the market in Malaysia and provide sales and technical support	Good business performance	Not applicable
Redwood Projects Korea Ltd.	(3,493)	Act as the operation for sales in South Korea	Mainly due to administrative and operating expenses at the early stage of incorporation	Not applicable
Redwood Projects France S.A.S.	(5,791)	Act as the operation for sales in Europe	Mainly due to administrative and operating expenses at the early stage of incorporation	Not applicable
Redwood Projects Japan K.K.	(5,224)	Act as the operation for sales in Japan	Mainly due to administrative and operating expenses at the early stage of incorporation	Not applicable

Item	Profit/Loss Recognized in 2018	Investment Policy	Reason for Profit/Loss	Improvement Plan
Redwood Projects US Inc.	(2,376)	Act as the operation for sales in the U.S.	Mainly due to administrative and operating expenses at the early stage of incorporation	Not applicable

VI. Analysis and Assessment of Risks during the Most Recent Year and Up to the Date of Publication of the Annual Report

(I) Effect of interest rate and exchange rate fluctuations as well as changes in the inflation rate upon the Company's profits (losses), and response measures to be taken in the future

1. Interest rate

The interest revenue of Redwood Group mainly comes from interest on bank loans; the interest expenses of Redwood Group mainly come from interest on bank loans. The interest revenue of Redwood Group in the most recent two years (2017 and 2018, same as below) was NT\$820,000 and NT\$1,037,000, respectively, accounting for 0.05% and 0.07% of net operating revenue, respectively. The interest expenses of Redwood Group in the most recent two years were NT\$5,139,000 and NT\$11,711,000, respectively, accounting for 0.29% and 0.78% of net operating revenue, respectively. The ratio of interest revenue or interest expenses was not high, so the interest rate changes did not have a significant impact on the Company.

Response Measures

In the future, Redwood Group will adjust the application of funds in a timely manner depending on the changes in interest rates.

2. Exchange rate

The raw materials or commodities of Redwood Group were sourced mainly in USD and SGD, followed by EUR, and most of the major products were sold to customers in Asia, Europe, the U.S. and the Middle East in USD and SGD; therefore, the receivables and payables generated from the purchases and sales can be mutually offset as a natural hedge; in addition, Redwood Group would engage in forward foreign exchange trading appropriately to avoid exchange rate risks depending on the business operations and the trend of exchange rates. Redwood Group reported the exchange loss of NT\$3,628,000 and NT\$4,959,000 for the most recent two years, respectively, accounting for 0.20% and 0.33% of net operating revenue, respectively. As a result, the exchange loss had a limited impact on the Company.

Response Measures

The main functional currency of Redwood Group is SGD. As of today, there has been no material fluctuation in the exchange rate. Considering that the Company (which was registered in the Cayman Islands and listed in Taiwan) raises funds in Taiwan and distributes dividends to domestic investors at the exchange rates between SGD and TWD, the Company will have a risk of fluctuations in the exchange rates between SGD and TWD. The following are measures to be taken by the Finance Department of Redwood Group in response:

- (1) Improve employees' understanding of foreign exchange hedging and use the online real-time forex system and strengthen the communication with financial institutions to analyse and judge the trend of exchange rates as a basis for settlement.
- (2) Use sales revenue to offset purchase-related expenses in the same currency as a natural hedge.
- (3) Engage in forward foreign exchange trading appropriately to avoid exchange rate risks after offsetting accounts receivable and accounts payable.

3. Inflation/Deflation

There has been no material impact of inflation/deflation on the Company's profit or loss. The Company also adjusts the sales strategies, cost structure, and terms of transaction in line with the trends to avoid the potential effect of inflation/deflation.

- (II) The Company's policy regarding high-risk investments, highly leveraged investments, lending of funds to other parties, endorsement and guarantee, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The Company has formulated the "Procedures for Acquisition or Disposal of Assets", the "Procedures for Lending Funds to Other Parties", the "Procedures for Endorsement and Guarantee", and the "Procedures for Derivative Transactions" as the guidelines for engaging in related business activities. In 2018 and up to the 2019 date of publication of the Annual Report, Redwood Group has not engaged in any high-risk, highly leveraged derivatives transactions. In addition, Redwood Group has not made any loans or endorsements/guarantees to other parties. Adopting a prudent financial policy, Redwood Group has been focusing on its major lines of business and has not engaged in any high-risk, highly leveraged investments, so such risk has a limited impact.

- (III) Research and development (R&D) work to be carried out in the future, and further expenditures expected for R&D work

With its R&D items different from other general industries, the decoration industry integrates design based on the needs of owners and delivers products and equipment with added value to improve performance, creating a business environment up to and beyond the customers' expectations. As a result, Redwood Group has no further expenditures expected for R&D work.

In response to the development trends and diversified products in the luxury goods market, Redwood Group will continuously enhance the functions and characteristics of existing products through design integration to improve the added value of products and its competitiveness in the market.

- (IV) Effect of important policies adopted and changes in the legal environment at home and abroad upon the Company's finance and operations, and measures to be taken in response

The Company is registered in the Cayman Islands, where financial service is the main economic activity. Boasting a stable political and economic environment, the Cayman Islands has an open economy without foreign exchange controls. Redwood Group mainly operates in Singapore and Malaysia and produces and sells luxury and consumer goods. As Redwood Group is not in a licensed or restricted industry, there is no material effect of important policies adopted and changes in the legal environment in the Cayman Islands, Singapore, and Malaysia upon its finance and operations.

- (V) Effect of developments in science and technology and industrial changes upon the Company's finance and operations, and measures to be taken in response

The Company keeps abreast of developments in science and technology and industrial changes to control the latest market trend and evaluate its impact

on the operations of the Company. In the most recent year and up to the date of publication of the Annual Report, there has been no material effect of developments in science and technology and industrial changes upon the Company's finance and operations.

(VI) Effect of changes in the corporate image upon the Company's crisis management, and measures to be taken in response

Since the incorporation of Redwood Interior Pte Ltd, Redwood Group has improved its craftsmanship in line with market trends. Upholding the business philosophy of putting quality first, technology-leading, and perfect service, Redwood Group has strived to offer high quality interior fittings to the outlets of world's top luxury brands, including Bvlgari, Cartier, Coach, Gucci, Hermes, Louis Vuitton, Michael Kors, and Tiffany & Co., and had a fine reputation in the industry. In addition, the Company has been TPEX-listed, which considerably benefits the corporate image. In the most recent year and up to the date of publication of the Annual Report, the Company has no effect of changes in the corporate image upon its crisis management.

(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and measures to be taken in response

In the most recent year and up to the date of publication of the Annual Report, the Company has no specific plan for mergers and acquisitions. If there is a plan for mergers and acquisitions, the Board of Directors will evaluate with prudence whether it can bring the specific synergy to the Company to protect the rights and interests of shareholders.

(VIII) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response

1. Expected benefits: Due to the public construction planning of the government of Singapore, Redwood Interior Pte Ltd has to relocate to and rebuild a new office. The new office, along with the relocation and trial production, is expected to be completed in the first half of 2020. The new office will have an area of 15,000 square meter, of which 9,000 square meter is used for production. In addition to increasing the production capacity of Redwood Group, the new facility will help develop a new business model and clientele and improve the production efficiency, further driving the business momentum of Redwood Group.
2. Possible risks: The increase in the production capacity, production equipment, and labor costs may lead to the increase in operating costs.
3. Measures to be taken in response: The Company will evaluate the prospects and growth of the luxury goods industry with prudence and strengthen the long-term relationship with existing customers; in addition, the Company will develop customer relationships with other luxury brands to maintain its leadership of the industry.

(IX) Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response

1. Purchasing operations

Major raw materials of Redwood Group include wood (board), glass, copper, iron, stainless steel, and paint. Redwood Group sources raw materials from at least two major suppliers under long-term cooperation and good relationships, therefore the supply of raw materials is stable. There has been no supply shortage or disruption that affects production. In the most recent two years and up to the date of publication of the Annual Report, no suppliers account for more than 10% of net purchases.

2. Sales operations

Redwood Group mainly offers high quality interior fittings through projects to customers, which are different from those of general manufacturing.

When contracting construction projects with higher prices, the Company recognizes revenue from construction projects of certain customers during construction. To control related risks, the Company has evaluated the customers' credit status before contracting construction projects and stayed alert to the customers' operation and market information at any time during construction, so as to protect the interest of Redwood Group. To distribute the risk of consolidation of sales, Redwood Group continues to evaluate existing customers and develop new the customer base.

- (X) 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% shares in the Company has been transferred or has otherwise changed hands, and measures to be taken in response

In the most recent year and up to the date of publication of the Annual Report, there has been no material effect upon and risk to the Company in the event a major quantity of shares belonging to a Director or shareholder holding greater than a 10% shares in the Company has been transferred or has otherwise changed hands.

- (XI) Effect upon and risk to the Company associated with any changes in the governance personnel or top management, and measures to be taken in response

In the most recent year and up to the date of publication of the Annual Report, the Company has no changes in the governance personnel or top management.

- (XII) Litigious and non-litigious matters

Please list major litigious, non-litigious or administrative disputes that: (1) involve the Company's Director, Supervisor, or GM, any person with actual responsibility for the Company, any major shareholder holding greater than a 10% shares, and/or any company controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such disputes could materially affect shareholders' equity or the prices of the Company's securities, please disclose the facts of the disputes, amount of money at stake in the disputes, the commencement date of litigation, the main parties to the disputes, and the status of the disputes as of the date of publication of the Annual Report: None.

- (XIII) Other important risks, and measures to be taken in response: None.

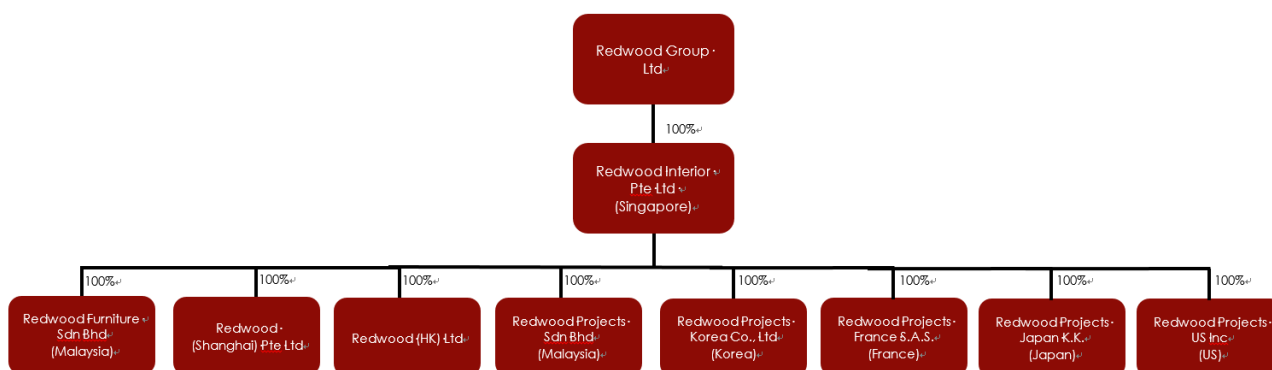
VII. Other Important Matters: None.

Chapter VIII Special Items to be Included

I. Information Relating to the Company's Affiliates

- (I) Consolidated business report
1. Redwood Group structure

2019.04.30



2. Basic information of affiliates

Company Name	Date of Incorporation	Location	Paid-in Capital	Major Lines of Business
Redwood Interior Pte Ltd	1992.07.21	Singapore	SGD17,989,395	High quality interior fittings for the world's top luxury brands
Redwood Furniture Sdn. Bhd.	1999.02.08	Malaysia	MYR25 million	Design, manufacture and trading of customized fittings
Redwood (Shanghai) Pte Ltd	2011.11.18	China	USD825,000	High quality interior fittings for the world's top luxury brands
Redwood (HK) Ltd	2012.02.03	Hong Kong	HKD1,560,000	High quality interior fittings for the world's top luxury brands
Redwood Projects Sdn. Bhd.	2012.11.09	Malaysia	MYR750,000	High quality interior fittings for the world's top luxury brands
Redwood Projects Korea Co., Ltd	2017.06.08	South Korea	KRW400 million	High quality interior fittings for the world's top luxury brands
Redwood Projects France S.A.S	2018.01.30	France	EUR200,000	High quality interior fittings for the world's top luxury brands
Redwood Projects Japan K.K.	2018.02.05	Japan	JPY 45 million	High quality interior fittings for the world's top luxury brands
Redwood Projects US INC.	2018.10.25	USA	USD 500,000	High quality interior fittings for the world's top luxury brands

3. For those who are concluded as having controlling and subordinate relation, the information of the same shareholders: Not applicable.

4. Information on Directors, Supervisors, and GMs of affiliates

Company Name	Title	Name or Representative	Shareholding Percentage
Redwood Interior Pte Ltd	Director	Representative of Redwood Group Ltd: Thong-ming Soh and Lee-mui Teh	100%
	GM	Sing-keong Lee	
Redwood Furniture Sdn. Bhd.	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh, Lee-mui Teh, Lay-guat Soh, and Lay-choo Soh	100%
	GM	Lay-guat Soh	
Redwood (Shanghai) Pte Ltd	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh	100%
	Supervisor	Lay-fang Soh	
	GM	Pin-ching Su	
Redwood (HK) Ltd	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh	100%
Redwood Projects Sdn. Bhd.	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh, Lee-mui Teh, Lay-guat Soh, and Lay-choo Soh	100%
	GM	Lay-guat Soh	
Redwood Projects Korea., Ltd	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh	100%
Redwood Projects France S.A.S	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh	100%
Redwood Projects Japan K.K.	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh, Lee-mui Teh, Ide Yukinari	100%
Redwood Projects US Inc.	Director	Representative of Redwood Interior Pte Ltd: Thong-ming Soh	100%

5. Overview of business operations of affiliates

December 31, 2018

Unit: NT\$1,000

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net Operating Profit (Loss)	Net Profit (Loss) after Tax	Earnings (Loss) per Share after Tax
Redwood Interior Pte Ltd	704,949	1,593,660	614,889	978,771	1,220,276	28,286	(7,303)	(0.41)
Redwood Furniture Sdn. Bhd.	509,476	681,077	234,192	446,885	505,109	(73,116)	(61,170)	(2.45)
Redwood (Shanghai) Pte Ltd	24,486	120,562	7,269	113,293	164,495	37,732	27,347	Not applicable
Redwood (HK) Ltd	6,081	11,947	118	11,830	-	9,179	8,822	5.66
Redwood Projects Sdn. Bhd.	6,195	101,990	44,230	57,761	128,345	21,606	16,082	21.44
Redwood Projects Korea Co., Ltd.	11,160	4,994	1,005	3,988	8,608	(3,343)	(3,493)	(43.66)
Redwood Projects France S.A.S.	7,190	2,514	1,248	1,265	70	(5,780)	(5,791)	(28.96)
Redwood Projects JAPAN K.K	11,980	8,283	1,064	7,219	1,125	(5,187)	(5,224)	(5,804.44)
Redwood Projects US Inc.	15,493	13,333	549	12,784	-	(2,373)	(2,376)	(4.75)

(II) Consolidated financial statements of affiliates: Please refer to #Pages 80 to 173#.

(III) Affiliation report: Not applicable.

II. Private Placement of Securities during the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries during the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Additional Description

(I) Protection of shareholders' equity

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
1. Shareholders holding more than 3% of the company's issued and outstanding shares for one year or above are entitled to request the board of directors to convene an extraordinary general meeting in writing by specifying the proposals and reasons for them. Where the board of directors fails to give notice to convene such meeting within 15 days of such request, the shareholders may do so by themselves after making a report to the competent authority for	1. With respect to the shareholders' convention of an extraordinary general meeting, Article 15.5 of the Articles of Association ("AOA") does not provide that the shareholders shall make a report to the competent authority for approval before convening an extraordinary general meeting by themselves, because such convention does not require any approval from the local competent authority under the Cayman Companies Law. In addition, as the shareholders may convene an extraordinary general meeting by themselves without any approval from

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
<p>approval.</p> <p>2. If it intends to call a shareholders' meeting, the Company shall compile a meeting handbook as well as announce the meeting handbook or other related meeting information at least 21 days prior to an annual general meeting or 15 days prior to an extraordinary general meeting.</p>	<p>the local competent authority of Cayman Islands, Article 15.5 of the AOA only stipulates that the shareholders shall file with the Taipei Exchange for approval before convening an extraordinary general meeting by themselves, instead of "filing with the Taipei Exchange for approval within two days of receipt by the shareholders of the permission from the competent authority" required by the Major Items for Shareholder Right Protection.</p> <p>2. In connection with the announcement of the meeting handbook and other related meeting information of the shareholders' meeting, the Article 16.5 of the AOA states that the board of directors shall transmit such meeting handbook and supplemental materials to the Market Observation Post System of the R.O.C. and send the same to or make the same available to the shareholders in accordance with relevant regulations applicable to public companies in Taiwan.</p>
<p>The articles of association shall specify that voting by way of electronic transmission is listed as one of the ways to exercise voting rights, and that a shareholder may exercise his/her voting right in writing or by way of electronic transmission; where the company hold a shareholders' meeting outside the R.O.C., the company shall provide the shareholders with the option to exercise their voting rights by way of a written ballot or by way of electronic transmission.</p> <p>The company shall specify the ways to exercise voting rights in writing or by electronic means on the shareholder meeting notice. Shareholders exercising their voting rights in writing or by electronic means shall be deemed as presence in person at the shareholders' meeting but as a waiver of their voting rights to any extempore motions and amendment to the original proposals.</p>	<p>With respect to exercise of voting rights of the shareholders in writing or by electronic means, according to Cayman Islands counsel, Cayman Companies Law does not specify whether a member exercising his voting power by way of written ballot or by way of electronic transmission could be regarded as attending the shareholders' meeting in person, and they are not aware of a relevant case law. Therefore, the arrangement of voting of a written ballot or by way of electronic transmission set forth in the AOA may be deemed as authorizing the chairman of the shareholders' meeting to vote; in addition, the voting rights so exercised by such chairman by proxy is exempt from being capped at 3% of the total voting rights represented by the issued and outstanding shares of the Company. In this regard, Article 18.4 of the AOA provides that "A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electronic document", which are different from the provisions as stipulated in Shareholders' Rights Protection Checklist that "Shareholders exercising their voting rights in writing or by electronic means shall be deemed as presence in person at the shareholders' meeting". In addition, Article 19.2 of the AOA provides that the voting rights so exercised by such chairman by</p>

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
	proxy is exempt from being capped at 3% of the total voting rights represented by the issued and outstanding shares of the Company.
<p>The following proposals involving major shareholders rights shall be adopted by a majority of the voting rights represented by the shares which are held by the shareholders present at the meeting and account for at least two-thirds of the total issued and outstanding shares of the company. Such proposals may be adopted by at least two-thirds of the voting rights represented by the shares which are held by the shareholders present at the meeting and account for at least half of the total issued and outstanding shares of the company, if the total number of shares held by the shareholders present at the meeting does not meet the above threshold:</p> <ol style="list-style-type: none"> 1. Entry into, alteration of or termination of any agreement whereby all businesses are leased, entrusted to others for operation or operated continually and collectively with others, assignment of all or a substantial part of the businesses or property, or assumption of all businesses or property from others by the Company that may have a material effect on the company's operation; 2. Change of the articles of association; 3. A resolution of a preferred shareholders' meeting is necessary to approve the change of the articles of association that may prejudice the preferred shareholder rights; 4. Distribution of dividends and bonuses in part or in whole by way of issuance of new shares; 5. Resolutions on dissolution, merger or de-merger; and 6. Issuance of new restricted employee shares. 	<ol style="list-style-type: none"> 1. With reference to the means of resolution by the shareholders' meeting, in addition to the ordinary resolution and the supermajority resolution under Taiwan law, the "Special Resolution" defined under the Cayman Companies Law is prescribed by Article 1.1 of Redwood's AOA, which means a resolution passed by at least two-thirds of the votes cast by such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given. The difference between such resolution and the Shareholders Rights Protection Checklist lies in the fact that the AOA prescribe the Shareholders Rights Protection Checklist that requires Supermajority Resolution as matters to be approved by a Supermajority Resolution and by a Special Resolution. Such difference should only have a limited influence on the shareholder rights, because it arises from the Cayman Islands law and because the AOA have prescribed the Shareholders' Rights Protection Checklist that requires Supermajority Resolution as matters to be approved by Supermajority Resolution and/or by Special Resolution. 2. According to the Cayman Companies Law, the following matters shall be adopted by a special resolution: <ol style="list-style-type: none"> (1) Change of the AOA: <p>According to the Cayman Islands law, changes of the AOA shall be subject to Special Resolution. Therefore, the resolution requirement for changes of the constitutional documents and the AOA is not changed into the matters requiring a supermajority resolution under Taiwan law as required by the Shareholders Rights Protection Checklist. In addition, according to Article 9.1 of the AOA, any changes of the AOA to the prejudice of any type of shareholders (such as shareholders of preferred shares) shall be passed by a special resolution of the affected shareholders' meeting, apart from being passed by Special Resolution of the Company's general meeting under the Cayman Companies Law.</p>

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
	<p>(2) Dissolution:</p> <p>Under the Cayman Islands law, where a company resolves to carry out voluntary liquidation and dissolution due to its failure to repay its debts when due, such dissolution shall be passed by shareholders at general meeting; provided, where the company voluntarily carries out voluntary liquidation and dissolution, such dissolution shall be passed by a special resolution under the Cayman Companies Law. Accordingly, the resolution requirement for the Company's liquidation and dissolution under Article 12.5 of the AOA is not changed into the matters requiring Supermajority Resolution under Taiwan law as required by the Shareholders Rights Protection Checklist.</p> <p>(3) Merger:</p> <p>Article 12.4(b) of the AOA stipulates that a merger (except the one defined under the Cayman Companies Law) shall be passed by Supermajority Resolution, because the Cayman Companies Law contains a compulsive provision regarding the merger defined under the Cayman Islands law.</p> <p>Those differences result from the difference between Taiwan and Cayman Islands law. While a voluntary liquidation and dissolution due to its failure to repay its debts when due may be simply passed by an ordinary resolution under the AOA, Redwood is unable to operate normally under this situation. As applying merely to this specific situation, it should only have a limited influence on the shareholder rights.</p>
<ol style="list-style-type: none"> 1. Supervisors of the company shall be elected by the shareholders' meeting, among whom at least one supervisor shall have a domicile within Taiwan. 2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election. 3. In case all supervisors of the company are discharged, the board of directors shall, within 60 days, convene an extraordinary general meeting to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate 	<p>There is no such a concept as a "supervisor" under the Cayman Islands law. In addition, no provision relating to supervisors is stipulated in the AOA because it has an Audit Committee.</p>

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
<p>the company's business and financial conditions, inspect, transcribe or make copies of the accounting books and documents, and request the board of directors or officers to make reports thereon.</p> <p>5. Supervisors shall examine the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the shareholders' meeting.</p> <p>6. In performing their functional duties, supervisors may appoint, on behalf of the company, a certified public accountant or a lawyer to conduct the examination.</p> <p>7. Supervisors may attend the meeting of the board of directors to express their opinions. In case the board of directors or any director commits any act in carrying out any business of the company in violation of the laws, regulations, the AOI or the resolutions of the shareholders' meeting, supervisors shall forthwith require the board of directors or the director, as the case may be, to cease such act in a notice.</p> <p>8. Supervisor may solely exercise their respective power of supervision.</p> <p>9. A supervisor shall not concurrently act as a director, an officer or other staff of the company.</p>	
<p>1. Shareholders holding at least 1% of the company's total issued and outstanding shares for more than six months are entitled to request, in writing, supervisors to file an action against the directors for the company, with the Taiwan Taipei District Court being the competent court.</p> <p>2. In the event that supervisors fail file such action within 30 days after the request by the shareholders, the shareholders may file such action for the company, with the Taiwan Taipei District Court being the competent court.</p>	<p>There is no equivalent concept of "Supervisor" under the Cayman Islands law. In addition, no provision relating to supervisors is stipulated in Redwood's Memorandum and Articles of Incorporation because it has an Audit Committee. However, by referring to the provision of Article 214 of the Taiwan's Company Act regarding the filing of an action against directors at the request of minority shareholders, Article 45 of the AOA provides that, subject to the Cayman Islands law, shareholders holding at least 1% of Redwood's total issued and outstanding shares for more than six months are entitled to file an action against the directors for Redwood, with the Taiwan Taipei District Court being the competent court.</p> <p>As advised by Cayman Islands counsel, the AOA is not a contract between shareholders and directors. Therefore, according to Cayman Islands counsel, even</p>

Major Items for Shareholders Rights Protection	The Company's Memorandum and Articles of Association and Reasons for the Differences
	<p>if the AOA permitted minority shareholders to file a derivative action against directors, such directors will not be bound by such permission. However, under the common law, the right to commence a derivative action (including against the directors of the company) is available to all shareholders (including minority shareholders), irrespective of the level of the shareholding or the amount of time they have held their shares. Once the proceedings are commenced by the shareholders, the Cayman court will have the absolute discretion in determining whether or not to allow a derivative action to proceed. That means, even if the Articles contains a provision permitting minority shareholders (or certain shareholders with the requisite shareholding and holding period) to commence an action on behalf of the company against the directors, whether the shareholders will be entitled to continue with the claim is a matter for the Cayman court to decide. According to a relevant decision given by the Cayman Island Grand Court, the applicable test when determining whether to give leave to continue a derivative action, was whether the court was satisfied that the plaintiff had a prima facie case both in relation to the merits of the claim on behalf of the company and that the alleged wrongdoing had been perpetrated by those in control of the company and who were in a position to prevent the company from pursuing a claim against them. And the court will make its decision based on the facts of each case (though the provisions of the Articles of the company would be a factor but would not be determinative).</p>

- (II) Unfulfilled TPEX-listed commitments: The Company has fulfilled all of its TPEX-listed commitments.

Chapter IX Any of the Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities during the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

Redwood Group Ltd

Chairman: Thong-ming Soh



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