

**THAI KIN CO., LTD. AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

Address: 4F., No. 287, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei  
City 105, Taiwan (R.O.C.)  
Telephone: +886 2 25149960

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of Thai Kin Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Thai Kin Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

#### 1. Revenue recognition

Please refer to note 4(m) "Recognition of Revenue" for accounting policy related to revenue recognition, and note 6(p) for the information related to revenue of the consolidated financial statements.

#### Description of key audit matter:

The Group entered into agreements or sales orders with its major customers, which contain different terms and conditions and increase the complexity of identifying the timing of revenue recognition and transferring control of the products. Therefore, the revenue recognition was considered one of the key audit matters in our audit.

**How the matter was addressed in our audit:**

Our audit procedures included:

- Assessing and testing the design, and the effectiveness of the internal controls over revenue recognition.
- Performing trend analysis on operating income generated from each top ten customer in current period versus that in latest quarter and last year to assess the occurrence of any significant variation and the rationale for the variation.
- Performing test-of-details on transactions to assess the existence of the transactions and the accuracy of the recognized sales as well as the timing of the recognition.
- Performing sales cut-off test over a period prior and post to the balance sheet date by vouching relevant documents of sales transactions to determine whether the revenue have been recognized in proper period.

**2. Subsequent measurements of inventories**

Please refer to note 4(h) "Inventories" for accounting policy related to subsequent measurements of inventories, note 5 for accounting assumptions and estimation uncertainties of inventories and note 6(d) for information related to impairment of inventories of the consolidated financial statements.

**Description of key audit matter:**

Inventories of the Group are measured at the lower of cost and net realizable value. The fair value of inventories is affected by the market price. The increase in the risk of declining in market price would lead to the increase in the risk that the subsequent measurement of inventories is likely to be overestimated. Therefore, the subsequent measurements of inventories was considered one of the key audit matters in our audit.

**How the matter was addressed in our audit:**

Our audit procedures included:

- Assessing the appropriateness of the provision policies for inventories.
- Performing inventory turnover analysis and trend analysis on the provision for inventory impairments of the current period and of the last period to assess the occurrence of any significant variation and the rationale for the variation.
- Assessing whether the inventories have been subsequently measured in accordance with the Group's provision policies on a consistent basis.
- Obtaining aging analysis of inventories, assessing the appropriateness of provision for obsolete and slow-moving inventories, and examining supporting documents to verify the accuracy of the aging period.
- Understanding the source of sales prices and the changes of the sales prices after the balance sheet date to assess the reasonableness of management's methodology for evaluating the inventories at net realizable value; then, vouching the source documents of selected inventory samples to verify the accuracy of the net realizable value calculation and to assess the appropriateness of provision for decline in the value of inventories.

## **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 with the IFRSs, IASs, IFRC, 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.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Hsiu Kuang and Chung-I Chang.

KPMG

Taipei, Taiwan (Republic of China)  
March 20, 2020

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
THAI KIN CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
11xx Cash and cash equivalents (note 6(a))	150,961	12	143,838	14
1170 Trade receivables, net (notes 6(b) and (p))	213,239	18	129,592	13
1200 Other receivables (note 6(c))	19,796	2	10,444	1
130x Inventories (note 6(d))	277,425	23	248,786	25
1470 Other current assets (notes 6(e) and (h))	11,326	1	13,812	1
<b>Total current assets</b>	<u>672,747</u>	<u>56</u>	<u>546,472</u>	<u>54</u>
<b>Non-current assets:</b>				
15xx Property, plant and equipment (notes 6(e), (i), (j), 8 and 9)	469,430	39	409,462	40
1755 Right-of-use assets (notes 3(a), 6(f) and 7)	1,948	-	-	-
1760 Investment property, net (notes 6(g), (i), (j) and 8)	31,840	3	30,055	3
1840 Deferred tax assets (note 6(m))	17,426	2	16,635	2
1900 Other non-current assets (notes 6(h), 8 and 9)	7,186	-	6,834	1
<b>Total non-current assets</b>	<u>527,830</u>	<u>44</u>	<u>462,986</u>	<u>46</u>
<b>Total assets</b>	<u>\$ 1,200,577</u>	<u>100</u>	<u>\$ 1,009,458</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
21xx Short-term borrowings (notes 6(e), (g), (i), 7 and 8)				
Notes payable				
Trade payables	355,945	30	120,925	12
Other payables (note 7)	1,364	-	1,355	-
Payables for machinery and equipment	40,748	4	50,678	5
Dividends payable (note 6(n))	28,709	2	27,620	3
Current tax liabilities	2,103	-	2,006	-
Current lease liabilities (notes 3(a), 6(k) and 7)	-	-	90,000	9
Current portion of long-term borrowings (notes 6(e), (g), (i), 7 and 8)	10,497	1	17,574	2
Other current liabilities	861	-	-	-
<b>Total current liabilities</b>	<u>446,302</u>	<u>37</u>	<u>310,483</u>	<u>31</u>
<b>Non-current liabilities:</b>				
25xx Long-term borrowings (notes 6(e), (g), (i), 7 and 8)	33,911	3	222,268	22
2570 Deferred tax liabilities (note 6(m))	8,207	1	11,695	1
2580 Non-current lease liabilities (notes 3(a), 6(k) and 7)	1,096	-	-	-
2640 Defined benefit liabilities – non-current (note 6(l))	11,524	1	7,262	1
<b>Total non-current liabilities</b>	<u>54,738</u>	<u>5</u>	<u>241,225</u>	<u>24</u>
<b>Total liabilities</b>	<u>501,040</u>	<u>42</u>	<u>551,708</u>	<u>55</u>
<b>Equity attributable to owners of the Company (notes 6(l), (m) and (n)):</b>				
31xx Common stock	335,300	28	300,000	29
3200 Capital surplus	143,602	12	48,483	5
<b>Retained earnings:</b>				
3310 Legal reserve	7,396	-	-	-
3350 Unappropriated retained earnings	177,183	15	89,971	9
<b>Other equity:</b>				
34xx Exchange differences on translation of foreign financial statements	184,579	15	89,971	9
3410 Total equity attributable to owners of the Company	35,869	3	19,066	2
36xx Non-controlling interests	699,350	58	457,520	45
3xxx Total equity	187	-	230	-
2-3xxx Total liabilities and equity	<u>\$ 1,200,577</u>	<u>100</u>	<u>\$ 1,009,458</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
(expressed in thousands of New Taiwan Dollars, except earnings per share)

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenues (note 6(p))</b>	\$ 1,005,820	100	894,377	100
5000 <b>Operating costs (notes 6(d), (e), 7 and 12)</b>	<u>771,753</u>	<u>77</u>	<u>723,331</u>	<u>81</u>
5900 <b>Gross profit from operations</b>	<u>234,067</u>	<u>23</u>	<u>171,046</u>	<u>19</u>
6000 <b>Operating expenses (notes 6(e), (f), (l), 7 and 12):</b>				
6100     Selling expenses	23,832	2	15,373	2
6200     Administrative expenses	64,866	6	60,926	6
6300     Research and development expenses	<u>5,266</u>	<u>1</u>	<u>15,483</u>	<u>2</u>
<b>Total operating expenses</b>	<u>93,964</u>	<u>9</u>	<u>91,782</u>	<u>10</u>
6900 <b>Net operating income</b>	<u>140,103</u>	<u>14</u>	<u>79,264</u>	<u>9</u>
7000 <b>Non-operating income and expenses (notes 6(k), (r), (s) and (t)):</b>				
7010     Other income	5,599	1	1,545	-
7020     Other gains and losses	20,507	2	14,835	2
7050     Finance costs	<u>(10,095)</u>	<u>(1)</u>	<u>(5,974)</u>	<u>(1)</u>
<b>Total non-operating income and expenses</b>	<u>16,011</u>	<u>2</u>	<u>10,406</u>	<u>1</u>
7900 <b>Profit before income tax</b>	156,114	16	89,670	10
7950 <b>Less: income tax expenses (note 6(m))</b>	<u>15,722</u>	<u>2</u>	<u>15,744</u>	<u>2</u>
8200 <b>Profit for the period</b>	<u>140,392</u>	<u>14</u>	<u>73,926</u>	<u>8</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss (notes 6(l) and (m))</b>				
8311     Gains (losses) on remeasurements of defined benefit plans	(1,041)	-	177	-
8349     Less: income tax related to items that may not be reclassified subsequently to profit or loss	<u>(208)</u>	<u>-</u>	<u>35</u>	<u>-</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>(833)</u>	<u>-</u>	<u>142</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361     Exchange differences on translation of foreign financial statements	16,809	2	15,381	2
8399     Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>16,809</u>	<u>2</u>	<u>15,381</u>	<u>2</u>
8300 <b>Other comprehensive income</b>	<u>15,976</u>	<u>2</u>	<u>15,523</u>	<u>2</u>
8500 <b>Total comprehensive income</b>	<u>\$ 156,368</u>	<u>16</u>	<u>89,449</u>	<u>10</u>
8700 <b>Profit (loss), attributable to:</b>				
8610     Owners of the Company	\$ 140,441	14	73,958	8
8620     Non-controlling interests	<u>(49)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>
	<u>\$ 140,392</u>	<u>14</u>	<u>73,926</u>	<u>8</u>
<b>Comprehensive income attributable to:</b>				
8710     Owners of the Company	\$ 156,411	16	89,472	10
8720     Non-controlling interests	<u>(43)</u>	<u>-</u>	<u>(23)</u>	<u>-</u>
	<u>\$ 156,368</u>	<u>16</u>	<u>89,449</u>	<u>10</u>
<b>Basic earnings per share (NT dollars) (note 6(o))</b>				
9750     Basic earnings per share	<u>\$ 4.38</u>		<u>2.47</u>	
9850     Diluted earnings per share	<u>\$ 4.38</u>		<u>2.47</u>	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**THAI KIN CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(expressed in thousands of New Taiwan Dollars)**

	Equity attributable to owners of the Company					Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings	Exchange differences on translation of foreign financial statements			
<b>Balance on January 1, 2018</b>	\$ 300,000	48,483	-	105,871	105,871	458,048	253	458,301
Appropriation and distribution of retained earnings:	-	-	-	(90,000)	(90,000)	(90,000)	-	(90,000)
Cash dividends of ordinary share	-	-	-	73,958	73,958	73,958	(32)	73,926
Profit (loss) for the period	-	-	-	142	142	15,514	9	15,523
Other comprehensive income	-	-	-	74,100	74,100	89,472	(23)	89,449
Total comprehensive income	-	-	-	89,971	89,971	457,520	230	457,750
Balance on December 31, 2018	300,000	48,483	-	89,971	89,971	457,520	230	457,750
Appropriation and distribution of retained earnings:	-	-	7,396	(7,396)	-	-	-	-
Legal reserve appropriated	-	-	-	(45,000)	(45,000)	(45,000)	-	(45,000)
Cash dividends of ordinary share	-	-	-	140,441	140,441	140,441	(49)	140,392
Profit (loss) for the period	-	-	-	(833)	(833)	15,970	6	15,976
Other comprehensive income	-	-	-	139,608	139,608	156,411	(43)	156,368
Total comprehensive income	-	-	-	-	-	130,419	-	130,419
Issuance of shares	35,300	95,119	-	-	-	130,419	-	130,419
Balance on December 31, 2019	\$ 335,300	143,602	7,396	177,183	184,579	699,350	187	699,537

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**THAI KIN CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(expressed in thousands of New Taiwan Dollars)**

	2019	2018
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ 156,114	89,670
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expenses	46,602	36,683
Interest expenses	10,095	5,974
Interest revenues	(1,322)	(1,545)
Gains from disposal of investments	(4,337)	-
<b>Total adjustments to reconcile profit</b>	<u>51,038</u>	<u>41,112</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Trade receivables	(83,647)	49,355
Other receivables	(9,850)	(1,116)
Inventories	(28,639)	(38,291)
Other current assets	(2,428)	(4,485)
<b>Total net changes in operating assets</b>	<u>(124,564)</u>	<u>5,463</u>
<b>Net changes in operating liabilities:</b>		
Notes payable	9	202
Trade payables	(9,930)	1,804
Other payables	1,212	(7,808)
Other current liabilities	(6)	(3,581)
Net defined benefit liabilities	3,221	2,291
<b>Total net changes in operating liabilities</b>	<u>(5,494)</u>	<u>(7,092)</u>
<b>Net changes in operating assets and liabilities</b>	<u>(130,058)</u>	<u>(1,629)</u>
<b>Total adjustments</b>	<u>(79,020)</u>	<u>39,483</u>
Cash inflow generated from operations	77,094	129,153
Interest received	1,320	1,545
Interest paid	(10,218)	(5,776)
Income taxes paid	(26,014)	(39,841)
<b>Net cash flows from operating activities</b>	<u>42,182</u>	<u>85,081</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(76,192)	(61,227)
Proceeds from disposal of property, plant and equipment	63	-
Decrease (increase) in refundable deposits	555	(831)
Decrease (increase) in prepayments for equipment	(479)	425
Increase in restricted deposits	(76)	(296)
<b>Net cash flows used in investing activities</b>	<u>(76,129)</u>	<u>(61,929)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	700,607	-
Repayments of short-term borrowings	(468,999)	-
Proceeds from long-term borrowings	36,060	7,626
Repayments of long-term borrowings	(220,162)	-
Payment of lease liabilities	(852)	-
Cash dividends paid	(135,000)	(20,856)
Proceeds from issuance of shares	130,419	-
<b>Net cash flows from (used in) financing activities</b>	<u>42,073</u>	<u>(13,230)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(1,003)</u>	<u>9,830</u>
<b>Net increase in cash and cash equivalents</b>	7,123	19,752
<b>Cash and cash equivalents at beginning of period</b>	143,838	124,086
<b>Cash and cash equivalents at end of period</b>	<u>\$ 150,961</u>	<u>143,838</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(expressed in thousands of New Taiwan Dollars, unless otherwise specified)**

**(1) Company history**

Thai Kin Co., Ltd. (the "Company") was established in the Cayman Islands in February 2016. The main purpose of the establishment was to restructure its group entities for application to list on the Taipei Exchange ("TPEX") in the Republic of China. The Company became the holding company of Royal Finishing Co., Ltd. ("Royal Finishing") and Hardware Group Limited ("Hardware") in January 2017 by using share swaps with previous shareholders of those companies to restructure the group. The Company's shares have been listed and traded on the TPEX since June 6, 2019. The main business activities of Royal Finishing and Hardware are manufacturing and selling of furniture casting, with the main products of home decoration and hardware parts.

**(2) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 20, 2020.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of adopting the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for IFRS 16 "Leases", the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Group applied IFRS 16 using the modified retrospective approach in measuring its right-of-use assets at an amount equal to the lease liability. The cumulative effect of initial application is recognized at January 1, 2019, with no restatement of comparative information. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which existing contracts are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after January 1, 2019.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities on balance sheet for most leases.

Leases classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$2,784 thousand of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 1.41%.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the balance sheet at the date of initial application was disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitments at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 1,319
Extension and termination options reasonably certain to be exercised	1,514
	<b>\$ 2,833</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 2,784
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<b>\$ 2,784</b>

(b) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(4) Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for the changes in accounting policies specifically indicated in notes 3(a) and 4(k), the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as "the IFRSs endorsed by the FSC").

**(b) Basis of preparation**

**(i) Basis of measurement**

Except for the defined benefit liabilities which are measured at fair value of the plan assets less the present value of the defined benefit obligation with the limit as explained in note 4(n), the consolidated financial statements have been prepared on a historical cost basis.

**(ii) Functional and presentation currency**

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

**(c) Basis of consolidation**

**(i) Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the Company.

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements is as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		Remark
			December 31, 2019	December 31, 2018	
The Company	Royal Finishing	Manufacturing and selling of home decoration and functional parts	99.99 %	99.99 %	
The Company	Hardware	Selling of home decoration and functional parts	- %	100.00 %	(Note 3)
The Company	Paokin Co., Ltd. ("Paokin")	Manufacturing and selling of home decoration and functional parts	98.50 %	98.50 %	
The Company	Thai Kin Company Limited	Selling of home decoration and functional parts	100.00 %	100.00 %	(Note 1)
Royal Finishing	Mira Home, Inc.	Selling of home decoration and functional parts	100.00 %	100.00 %	(Note 2)

Note 1: Thai Kin Company Limited was established in Hong Kong on August 30, 2018. The registered shares of Thai Kin Company Limited are 1,000, with HKD\$1 par value per share which are 100% owned by the Company. The capital has yet to be injected as of December 31, 2019.

Note 2: Mira Home, Inc. was established in the United States on November 30, 2017 and is 100% owned by Royal Finishing. A capital injection made on December 27, 2018 was USD\$5,000.

Note 3: The incorporation of Hardware has been revoked by the local government on May 1, 2019.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate in the reporting period. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange difference arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)



**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (except for a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issuance of the financial asset or financial liability. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any impairment. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Group recognizes impairment for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, other receivable, refundable deposits and restricted time deposits).

Impairment for bank deposits, other receivables, refundable deposits, and restricted time deposits are measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Impairment for trade receivables is always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days from the posting date.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Group considers a financial asset to be in default when the financial asset is more than 365 days from the posting date, or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 365 days from the posting date;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the Group would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Impairment for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

When the Group transfers a financial asset while retains either all or substantially all of the risks and rewards of the transferred asset, the Group shall continue to recognize the financial asset in its balance sheet.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged or cancelled, or expires. A substantial modification of the terms and cash flows of an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at the modified terms.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(h) Inventories

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their present location and condition. Variable production overheads are allocated to each unit of production, including work in progress and finished goods, on the basis of the actual use of the production facilities. The allocation of fixed production overheads is based on the normal capacity of the production facilities. Unallocated fixed overheads resulting from the consequence of low production or idle plant are recognized as costs of goods sold in the period in which they are incurred. In the period of abnormally high production, the differences are recorded as deductions to costs of goods sold.

The subsequent measurement of inventories is based on the lower of cost or net realizable value for each item. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when their costs are higher than net realizable value and the amounts are recorded in costs of goods sold. Subsequent increase in the net realizable value would lead to a reversal of write-down with a limit not exceeding that previous write-down, which is recorded as a deduction to costs of goods sold.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	20 years
2) Machinery	10 years
3) Office equipment	3~5 years
4) Leasehold improvement	4 years
5) Transportation equipment	5 years
6) Other equipment	2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments; including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option which will change the non-cancellable period of a lease; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the balance sheet.

Applicable before January 1, 2019

Operating leases are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Recognition of Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

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

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)



**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are modified or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary difference arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserved, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of discrete financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is the valuation of inventories. As inventories are stated at the lower of cost and net realizable value, the Group estimates the net realizable value of inventories based on the information of inventories that the Group expects to realize from the sale of inventories in the ordinary course of business, as well as the Group's assessment for inventories obsolescence and decline in market price at each reporting date and then writes down the cost of inventories to net realizable value. The information utilized in assessing net realizable value of the inventory is mainly determined based on the forecast of market demand in a specific time frame. Due to the rapid changing in the industry, there may be significant changes in the net realizable value of inventories. Please refer to note 6(d) for further description of the subsequent measurements of inventories.

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**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash	\$ 205	168
Checking and demand deposits	105,115	94,139
Time deposits	<u>45,641</u>	<u>49,531</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 150,961</u></u>	<u><u>143,838</u></u>

Please refer to note 6(u) for the disclosure of interest rate risks of the financial assets and liabilities of the Group.

(b) Trade receivables

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade receivables	\$ 213,239	129,592
Less: Impairment provision	<u>-</u>	<u>-</u>
	<u><u>\$ 213,239</u></u>	<u><u>129,592</u></u>

The Group applies the simplified approach to assess its expected credit losses, i.e. the use of lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

The Group's analyses on the expected credit loss of its trade receivables were as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Impairment provision</b>
Current	\$ 137,651	-	-
1~30 days past due	42,823	-	-
31~60 days past due	27,018	-	-
61~90 days past due	5,598	-	-
181~270 days past due	<u>149</u>	-	<u>-</u>
	<u><u>\$ 213,239</u></u>		<u><u>-</u></u>

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	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Impairment provision</b>
Current	\$ 101,092	-	-
1~30 days past due	17,507	-	-
31~60 days past due	10,993	-	-
	<b>\$ 129,592</b>		<b>-</b>

The Group did not pledged the above financial assets as collateral for short-term borrowings and credit facilities.

(c) Other receivables

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other receivables	\$ 19,796	10,444
Less: Impariment provision	-	-
	<b>\$ 19,796</b>	<b>10,444</b>

The Group did not have any past due other receivables as of December 31, 2019 and 2018.

For further credit risk information, please refer to note 6(u).

(d) Inventories

	<b>December 31, 2019</b>		
	<b>Cost</b>	<b>Provision for obsolescence and decline in market value</b>	<b>Net realizable value</b>
Raw materials	\$ 110,354	10,348	100,006
Work in process	101,889	15,601	86,288
Finished goods	103,435	12,304	91,131
Total	<b>\$ 315,678</b>	<b>38,253</b>	<b>277,425</b>

  

	<b>December 31, 2018</b>		
	<b>Cost</b>	<b>Provision for obsolescence and decline in market value</b>	<b>Net realizable value</b>
Raw materials	\$ 115,287	11,239	104,048
Work in process	93,722	15,884	77,838
Finished goods	72,947	6,047	66,900
Total	<b>\$ 281,956</b>	<b>33,170</b>	<b>248,786</b>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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The changes in the inventory provision for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Balance at January 1, 2019	\$ 33,170	27,562
Increase	3,085	4,466
Effect of movements in exchange rates	<u>1,998</u>	<u>1,142</u>
Balance at December 31, 2019	<u>\$ 38,253</u>	<u>33,170</u>

For the years ended December 31, 2019 and 2018, the Group's operating costs consist of the following components:

	<u>2019</u>	<u>2018</u>
Costs of goods sold	\$ 778,926	734,055
Loss on inventory obsolescence and decline in market value	3,085	4,466
Revenue from sale of scrap	(12,537)	(17,207)
Physical count variance	<u>2,279</u>	<u>2,017</u>
	<u>\$ 771,753</u>	<u>723,331</u>

The Group did not pledge its inventories as collateral for short-term borrowings and other credit facilities.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:									
Balance on January 1, 2019	\$ 23,181	271,932	180,745	12,934	1,016	10,212	94,895	33,221	628,136
Additions	-	-	18,291	686	-	-	9,772	47,540	76,289
Disposal	-	-	-	-	-	-	-	(63)	(63)
Reclassification (note 1)	-	6,108	27,313	-	-	-	6,240	(34,747)	4,914
Effect of movements in exchange rates	<u>1,376</u>	<u>16,202</u>	<u>11,144</u>	<u>762</u>	<u>-</u>	<u>606</u>	<u>5,770</u>	<u>2,088</u>	<u>37,948</u>
Balance on December 31, 2019	<u>\$ 24,557</u>	<u>294,242</u>	<u>237,493</u>	<u>14,382</u>	<u>1,016</u>	<u>10,818</u>	<u>116,677</u>	<u>48,039</u>	<u>747,224</u>
Balance on January 1, 2018	\$ 22,313	260,944	136,171	11,417	-	8,409	114,040	18,536	571,830
Additions	-	156	7,733	1,063	1,016	1,454	3,852	46,445	61,719
Disposal	-	-	-	-	-	-	(14,626)	-	(14,626)
Reclassification	-	693	30,919	-	-	-	(12,409)	(32,706)	(13,503)
Effect of movements in exchange rates	<u>868</u>	<u>10,139</u>	<u>5,922</u>	<u>454</u>	<u>-</u>	<u>349</u>	<u>4,038</u>	<u>946</u>	<u>22,716</u>
Balance on December 31, 2018	<u>\$ 23,181</u>	<u>271,932</u>	<u>180,745</u>	<u>12,934</u>	<u>1,016</u>	<u>10,212</u>	<u>94,895</u>	<u>33,221</u>	<u>628,136</u>
Depreciation and impairment loss									
Balance on January 1, 2019	\$ -	68,914	60,387	6,800	152	7,366	75,055	-	218,674
Depreciation	-	14,149	18,881	2,021	203	574	9,913	-	45,741
Effect of movements in exchange rates	<u>-</u>	<u>4,219</u>	<u>3,755</u>	<u>418</u>	<u>-</u>	<u>443</u>	<u>4,544</u>	<u>-</u>	<u>13,379</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>87,282</u>	<u>83,023</u>	<u>9,239</u>	<u>355</u>	<u>8,383</u>	<u>89,512</u>	<u>-</u>	<u>277,794</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2018	\$ -	53,710	44,115	4,563	-	6,359	80,181	-	188,928
Depreciation	-	12,907	14,324	2,028	152	747	6,525	-	36,683
Disposal	-	-	-	-	-	-	(14,626)	-	(14,626)
Effect of movements in exchange rates	-	2,297	1,948	209	-	260	2,975	-	7,689
Balance on December 31, 2018	<u>\$ -</u>	<u>68,914</u>	<u>60,387</u>	<u>6,800</u>	<u>152</u>	<u>7,366</u>	<u>75,055</u>	<u>-</u>	<u>218,674</u>
Carrying amounts:									
Balance on December 31, 2019	<u>\$ 24,557</u>	<u>206,960</u>	<u>154,470</u>	<u>5,143</u>	<u>661</u>	<u>2,435</u>	<u>27,165</u>	<u>48,039</u>	<u>469,430</u>
Balance on December 31, 2018	<u>\$ 23,181</u>	<u>203,018</u>	<u>120,358</u>	<u>6,134</u>	<u>864</u>	<u>2,846</u>	<u>19,840</u>	<u>33,221</u>	<u>409,462</u>
Balance on January 1, 2018	<u>\$ 22,313</u>	<u>207,234</u>	<u>92,056</u>	<u>6,854</u>	<u>-</u>	<u>2,050</u>	<u>33,859</u>	<u>18,536</u>	<u>382,902</u>

Note 1: Molds were reclassified from other current assets to this account.

Please refer to note 8 for the disclosure of property, plant and equipment pledged as collateral for bank loans and credit facilities as of December 31, 2019 and 2018.

(f) Right-of-use assets

The Group leases office buildings. Information about leases for which the Group as a lessee was presented below:

	<u>Buildings</u>
Cost:	
Balance at January 1, 2019	\$ -
Effects of retrospective application	<u>2,784</u>
Balance at January 1, 2019 after restatement	2,784
Effect of movements in exchange rates	<u>26</u>
Balance at December 31, 2019	<u>\$ 2,810</u>
Accumulated depreciation:	
Balance at January 1, 2019	\$ -
Depreciation for the year	861
Effect of movements in exchange rates	<u>1</u>
Balance at December 31, 2019	<u>\$ 862</u>
Carrying amount:	
Balance at December 31, 2019	<u>\$ 1,948</u>

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(g) Investment property

Investment property comprises land owned by the Group. The changes in the investment property were as follows:

	<b>Land</b>
<b>Cost:</b>	
Balance at January 1, 2019	\$ 30,055
Effect of movements in exchange rates	1,785
Balance at December 31, 2019	<b>\$ 31,840</b>
Balance at January 1, 2018	\$ 28,935
Effect of movements in exchange rates	1,120
Balance at December 31, 2018	<b>\$ 30,055</b>
<b>Carrying amount:</b>	
Balance at December 31, 2019	<b>\$ 31,840</b>
Balance at December 31, 2018	<b>\$ 30,055</b>
<b>Fair value:</b>	
Balance at December 31, 2019	<b>\$ 296,450</b>
Balance at December 31, 2018	<b>\$ 268,642</b>

The fair value of the above property for the year ended December 31, 2017 was assessed by Hun-Hsin Real Estate Appraisers Joint Firm. Fair value was measured using the land development analysis approach. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. Since the fair value of the above property did not change significantly for the year ended December 31, 2018, the fair value of 2018 was expressed in the same amount as 2017.

The management adopted the land development analysis approach to measure the fair value of the property for the year ended December 31, 2019. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3. The relevant information is summarized as follows:

<b>Items</b>	<b>December 31, 2019</b>	
Estimated revenue	\$ 364,861	
	(THB361,320 thousand)	
Gross margin	10	%
Overall capital interest rate	2.5	%
Appraised by external independent appraiser or self-appraisal		Self-appraisal
Appraisal date		December 31, 2019
Fair value by self-appraisal	\$ 296,450	

The Group pledged the investment property as collateral for long and short-term borrowings as of December 31, 2019 and 2018. The detail of the collateral please refer to note 8.

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(h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other current assets:		
Temporary payments	\$ 198	-
Prepayments	<u>11,128</u>	<u>13,812</u>
	<u>11,326</u>	<u>13,812</u>
Other non-current assets:		
Restricted time deposits	6,331	5,903
Refundable deposits	351	906
Prepayments for equipment	<u>504</u>	<u>25</u>
	<u>7,186</u>	<u>6,834</u>
	<u>\$ 18,512</u>	<u>20,646</u>

The restricted time deposits were pledged for electricity guarantee. Please refer to note 8.

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ -	120,925
Secured bank loans	<u>355,945</u>	<u>-</u>
	<u>\$ 355,945</u>	<u>120,925</u>
Unused short-term credit lines	<u>\$ 492,287</u>	<u>318,610</u>
Range of interest rates (%)	<u>1.99~2.82</u>	<u>2.14~3.47</u>

Please refer to note 8 for the disclosure of assets pledged as collateral for short-term borrowing.

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## (j) Long-term borrowings

The Group's long-term borrowings were as follows:

	<b>December 31, 2019</b>		
	<b>Interest rate (%)</b>	<b>Year of expiration</b>	<b>Carrying amount</b>
Secured bank loans			
Kasikorn Bank	2.50	2023	\$ 39,667
Less: current portion			<u>5,756</u>
Total			<u>\$ 33,911</u>
Unused long-term credit lines			<u>\$ 14,630</u>
	<b>December 31, 2018</b>		
	<b>Interest rate (%)</b>	<b>Year of expiration</b>	<b>Carrying amount</b>
Unsecured bank loans			
Mega Bank	1.30	2020	\$ 214,642
Secured bank loans			
Kasikorn Bank	2.5	2023	<u>7,626</u>
			222,268
Less: current portion			<u>-</u>
Total			<u>\$ 222,268</u>
Unused long-term credit lines			<u>\$ 48,156</u>

## (i) Loans proceeds and repayments

The Group borrowed \$36,060 and repaid \$220,162, respectively, in the year ended December 31, 2019. The repayment of \$220,162 included the early repayment of the long-term borrowing from Mega Bank in August, 2019. The Group borrowed \$7,626 in the year ended December 31, 2018.

## (i) Collateral for bank loans

Please refer to note 8 for the disclosure of assets pledged as collateral for long-term borrowings.

## (ii) Debt covenant

The Group entered into an agreement with Kasikorn Bank (hereinafter referred to as Kasikorn) on August 29, 2018, with the total credit line of THB58,520 (NTD59,093).

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According to the agreement with Kasikorn, the borrower needs to meet the following financial ratios commitment within the duration of the loan:

- 1) Debt service coverage ratio (DSCR) shall not be less than 2 times. DSCR is calculated as the sum of operating income, depreciation and amortization, and interest expenses, divided by the sum of current portion of long-term borrowings and interest expenses.
- 2) Debt to equity ratio shall not exceed 1.5 times. Debt to equity ratio is calculated as total liability divided by equity.
- 3) The borrowings are only used for the construction of solar roof.

As of December 31, 2019 and 2018, the Group has met the above financial ratios commitment clauses.

(k) Lease liabilities

	<b>December 31, 2019</b>
Current	<b>\$ 861</b>
Non-current	<b>\$ 1,096</b>

Please refer to note 6(u) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	<b>2019</b>
Interests on lease liabilities	<b>\$ 25</b>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>2019</b>
Total cash outflow from operating activities	\$ 25
Total cash outflow from investing activities	852
Total cash outflow for leases	<b>\$ 877</b>

(l) Employee benefits

(i) Defined benefit plan

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of the defined benefit obligations	\$ 11,524	7,262
Fair value of plan assets	-	-
Net defined benefit liabilities	<b>\$ 11,524</b>	<b>7,262</b>

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1) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations at January 1	\$ 7,262	5,148
Current service costs and interest costs	2,756	2,061
Remeasurements		
– Actuarial gains and losses arising from changes in experience adjustments	(844)	(66)
– Actuarial gains and losses arising from changes in financial assumptions	1,885	(111)
Effect of movements in exchange rates	<u>465</u>	<u>230</u>
Defined benefit obligations at December 31	<u>\$ 11,524</u>	<u>7,262</u>

2) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 2,528	1,909
Net interest of the net liabilities for defined benefit obligations	228	152
	<u>\$ 2,756</u>	<u>2,061</u>
Operating expenses	<u>\$ 2,756</u>	<u>2,061</u>

3) Remeasurement of defined benefit liabilities recognized in other comprehensive income

The Group's remeasurements of the defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amounts at 1 January	\$ (2,813)	(2,990)
Recognized during the period	<u>(1,041)</u>	<u>177</u>
Accumulated amounts at 31 December	<u>\$ (3,854)</u>	<u>(2,813)</u>

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4) Actuarial assumptions

The major actuarial assumptions at the reporting dates were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.725 %	3.00 %
Future salary growth rate	3.00 %	3.00 %

The expected payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$0.

The weighted average lifetime of the defined benefit plans is 15.73 years.

5) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Impact on defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate (changes 0.25%)	(404)	416
Future salary growth rate (changes 0.25%)	422	(400)
December 31, 2018		
Discount rate (changes 0.25%)	(246)	256
Future salary growth rate (changes 0.25%)	256	(246)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

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(ii) Defined contribution plan

The Group allocates 6% of monthly wages for each employee in the Company's Taiwan branch to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$136 and \$129 for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

The Company and Hardware were incorporated in the Cayman Islands and the British Virgin Islands, respectively, where there is no corporate income taxation. Royal Finishing and Paokin are subject to a statutory corporate income tax rate of 20% under the tax regulations of Thailand in the years 2019 and 2018. Thai Kin Company Limited, located in Hong Kong, is subject to corporate income tax at 16.5%. Mira Home, Inc. is subject to the federal corporate tax rate of 21% and the Illinois state corporate tax rate of 9.5% in the United States in the years 2019 and 2018. The Company's Taiwan branch is subject to a statutory corporate income tax rate of 20% under the tax regulations of Taiwan in the years 2019 and 2018.

(i) The components of income tax in the years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 24,814	23,770
Adjustment for prior periods	<u>(5,353)</u>	<u>19</u>
	<u>19,461</u>	<u>23,789</u>
Deferred tax income		
Reversal of temporary differences	(3,739)	(7,998)
Adjustment in tax rate	<u>-</u>	<u>(47)</u>
	<u>(3,739)</u>	<u>(8,045)</u>
Income tax expense	<u>\$ 15,722</u>	<u>15,744</u>

The amount of income taxes recognized in other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	<u>\$ 208</u>	<u>(35)</u>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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Reconciliations of income tax and profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Profit before income tax	\$ <u>156,114</u>	<u>89,670</u>
Income tax using the statutory tax rate at each jurisdictions	\$ 30,029	18,625
Non-deductible expenses	67	72
Tax-exempt income	(2,336)	-
Tax credits of investment in machinery	(7,901)	(3,751)
Underestimate (Overestimate) of income tax for previous years	(5,353)	19
Underestimate of deferred income tax for previous years	464	-
Current-year losses for which no deferred tax asset was recognized	726	514
Change in tax rate	-	(47)
Others	<u>26</u>	<u>312</u>
Total	\$ <u>15,722</u>	<u>15,744</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The carryforward of unused tax losses	\$ <u>1,853</u>	<u>1,127</u>

Under the tax regulations in the jurisdictions where the subsidiary Paokin located, tax losses incurred from the tax-exempt business during the tax exemption period can be carried forward and deducted for income tax reporting purposes within five years after the expiry of the tax exemption period. Tax losses derived from non-tax-exempt business can be carried forward and deducted for tax reporting purposes within five years after the year when the tax losses are incurred. As for Mira Home, Inc., the U.S. federal corporate income tax regulations allow net losses, as assessed by the tax authorities, to offset taxable income over a period of twenty years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the temporary differences therefrom.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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As of December 31, 2019, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry year</u>
Paokin:		
2016	\$ 1,047	2021
2017	1,966	2022
2018	2,614	2023
2019 estimate	<u>3,546</u>	2024
Subtotal	<u>9,173</u>	
Mira Home, Inc.:		
2018	8	2038
2019 estimate	<u>55</u>	2039
Subtotal	<u>63</u>	
Total	<u>\$ 9,236</u>	

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	<u>Inventory provision</u>	<u>Defined benefit liabilities</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 6,634	1,452	8,549	16,635
Recognized in profit or loss	617	551	(1,563)	(395)
Recognized in other comprehensive income	-	208	-	208
Effect of movements in exchange rates	400	93	485	978
Balance at December 31, 2019	<u>\$ 7,651</u>	<u>2,304</u>	<u>7,471</u>	<u>17,426</u>
Balance at January 1, 2018	\$ 5,512	1,030	1,190	7,732
Recognized in profit or loss	893	412	7,199	8,504
Recognized in other comprehensive income	-	(35)	-	(35)
Effect of movements in exchange rates	229	45	160	434
Balance at December 31, 2018	<u>\$ 6,634</u>	<u>1,452</u>	<u>8,549</u>	<u>16,635</u>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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Deferred tax liabilities:

		<u>Others</u>
<b>Balance at January 1, 2019</b>	\$	11,695
Recognized in profit or loss		(4,134)
Effect of movements in exchange rates		<u>646</u>
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b><u>8,207</u></b>
<b>Balance at January 1, 2018</b>	\$	10,813
Recognized in profit or loss		459
Effect of movements in exchange rates		<u>423</u>
<b>Balance at December 31, 2018</b>	<b>\$</b>	<b><u>11,695</u></b>

(iii) Examination and approval

The Company is not required to pay income tax in the country where it is incorporated; therefore, there is no requirement to file an income tax return. In Thailand, where the Group's subsidiaries Royal Finishing and Paokin operate, the corporate tax returns are examined by the tax authority without issuing official approval certificates. Royal Finishing and Paokin have filed the corporate tax returns up to 2018. Mira Home, Inc. has applied for the declaration of the income tax at the local tax agency up to 2018. Thai Kin Company Limited was incorporated in 2018 and has not commenced operation. It is not required to file its corporate tax return yet based on local regulations. The income tax return of the Company's Taiwan branch has been approved by the tax authority up to 2018.

(n) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the number of authorized common stock was \$1,000,000 thousand, with a par value of \$10 per share. There were 33,530 thousand shares and 30,000 thousand shares issued as of December 31, 2019 and 2018, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding during the period was as follows:

	<u>2019</u>	Unit: shares <u>2018</u>
Balance on January 1	\$ 30,000,000	30,000,000
Issuance of new shares	<u>3,530,000</u>	-
Balance on December 31	<b><u>\$ 33,530,000</u></b>	<b><u>30,000,000</u></b>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Board of Directors reslouted on September 25, 2018 to issue 3,530 thousand shares for cash in order to distribute shares to public before listing on TPEX. According to the Company's Articles of Association, the Company shall reserve no more than 15% of the issuance for employees to subscribe. As such, 5% of the newly issued shares, which was 177 thousand shares, were reserved for employees to subscribe. All unsubscribed shares shall be granted to specific individuals decided by the Chairman of the Company for subscription. This capital injection was approved by the TPEX on April 22, 2019, with June 4, 2019, as the recorded date of capital increase. The issuance comprised 3,530 thousand new shares, with \$10 per share. The cash proceeds from the issuance of new shares were \$136,417 thousand. After deducting the issuance cost of \$5,998 thousand and the share capital of \$35,300 thousand, the premium of \$95,119 thousand was recorded under capital surplus.

(ii) Capital surplus

The balance of capital surplus was as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Difference between the acquired net asset value and costs of restructuring	\$ 48,483	48,483
Addition paid-in capital	<u>95,119</u>	<u>-</u>
	<u>\$ 143,602</u>	<u>48,483</u>

According to the Company's Articles of Association, when the Company reports no accumulated loss, the Company may, in accordance with the proposal recommended by the Board of Directors, and approved by the meeting of shareholders, distribute new shares or cash arising out of the capital surplus, in whole or in part, to its shareholders.

(iii) Retained earnings

According to the Company's Articles of Association, as long as the shares are traded on the TPEX Emerging Stock Board or listed on the TPEX or Taiwan Stock Exchange, unless there is any specific regulation from the Cayman Islands Company Law, the applicable public company rules, and the Company's Articles of Association, the Company shall set aside the followings out of the net profit of the year: (i) a reserve for the payment of tax for the relevant fiscal year; (ii) an amount to offset deficits; (iii) 10% of the remaining balance is to be appropriated as legal reserve; and (iv) a special surplus reserve as required by the applicable securities authority under the applicable public company rules, or other reserves as determined by the Board of Directors for specific purposes.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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The Company is in the growth stage. In determining the amount, if any, of the dividend or other distribution it recommends to shareholders for approval in any financial year, the Board may take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year, so as to ensure the protection of shareholders' rights and interests. The Board shall recommend to shareholders for approval to distribute no less than 10 per cent of the earnings generated from the immediately preceding financial year (exclusive of those accumulated from previous years) out of the distributable amount as dividend to the shareholders. Dividends may be distributed, in the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution, provided that no less than 10 per cent of the total amount of such dividend shall be paid in cash.

On March 30, 2018, the Board of Directors proposed to distribute the capital surplus of \$3 per share amounting to \$90,000 thousand to its shareholders. However, on June 20 and June 27, 2018, respectively, the Board of Directors and the shareholders' meeting determined to withdraw the distribution of capital surplus, and to distribute the earnings of \$3 per share amounting to \$90,000 thousand instead. The earnings distribution information that was resolved by the shareholder's meeting is available on the Market Observation Post System website.

On March 20, 2020, the Board of Directors proposed to distribute earnings of \$3.1 per share amounting to \$103,943 thousand to its shareholders.

(o) Earnings per share

The calculation of basic earnings per share is as follows:

	<u>2019</u>	<u>2018</u>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>140,441</u>	<u>73,958</u>
Weighted average number of ordinary shares (thousand shares)	<u>32,041</u>	<u>30,000</u>
Basic earnings per share (unit: New Taiwan dollars)	\$ <u>4.38</u>	<u>2.47</u>

The Company did not have any potential ordinary shares with dilutive effect for the years ended December 31, 2019 and 2018.

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Europe	\$ 349,048	464,835
America	650,998	425,205
Asia	<u>5,774</u>	<u>4,337</u>
	<u>\$ 1,005,820</u>	<u>894,377</u>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>2019</b>	<b>2018</b>
Main product/services lines		
Home decoration hardware	<b>\$ 1,005,820</b>	<b>894,377</b>

## (ii) Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Trade receivables	\$ 213,239	129,592	178,947
Less: Impairment provision	-	-	-
<b>Total</b>	<b>\$ 213,239</b>	<b>129,592</b>	<b>178,947</b>

Please refer to note 6(b) for details on trade receivables and loss provision.

## (q) Employee compensation and directors' remuneration

In accordance with the Company's Articles of Association, no more than 5% of current-year profit before tax excluding employee's compensation and directors' remuneration shall be distributed as employee compensation, and no more than 3% of it as directors' remuneration. The mentioned employee compensation shall be paid in shares or cash. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

There were no estimation and payment for employee compensation and directors' remuneration for the years ended December 31, 2019 and 2018. Related information would be available at the Market Observation Post System website.

## (r) Other income

The details of other income were as follows:

	<b>2019</b>	<b>2018</b>
Interest income	\$ 1,322	1,545
Test fee income	4,277	-
<b>Total</b>	<b>\$ 5,599</b>	<b>1,545</b>

## (s) Other gains and losses

The details of other gains and losses were as follows:

	<b>2019</b>	<b>2018</b>
Gains on disposals of investments	\$ 4,337	-
Foreign exchange gains, net	15,200	13,529
Others	970	1,306
<b>Total</b>	<b>\$ 20,507</b>	<b>14,835</b>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (t) Finance costs

The details of finance costs were as follows:

	<u>2019</u>	<u>2018</u>
Interest expense		
Bank borrowings	10,070	5,974
Lease liabilities	<u>25</u>	<u>-</u>
	<u>\$ 10,095</u>	<u>5,974</u>

## (u) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including past transaction experiences with the customers, to adjust the credit limit for each customer. The Group's trade receivables are obviously concentrated on main customers, which accounted for 82% and 74% of the total amount of trade receivables as of December 31, 2019 and 2018, respectively.

## 3) Credit risk of receivables

For credit risk exposure of trade receivables, please refer to note 6 (b); details of other receivables please refer to note 6 (c). All the trade receivables and other receivables are considered as financial assets with low risk; therefore, the impairment provisions are measured using the life time and the 12-month ECL, respectively.

## (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of net settlement agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2019</b>						
<b>Non-derivative financial liabilities</b>						
Bank borrowings	\$ 395,612	401,082	365,257	6,538	29,287	-
Notes payable	1,364	1,364	1,364	-	-	-
Trade payables	40,748	40,748	40,748	-	-	-
Other payables and payables for machinery and equipment	16,732	16,732	16,732	-	-	-
Lease liabilities	<u>1,957</u>	<u>1,981</u>	<u>878</u>	<u>878</u>	<u>225</u>	<u>-</u>
	<u>\$ 456,413</u>	<u>461,907</u>	<u>424,979</u>	<u>7,416</u>	<u>29,512</u>	<u>-</u>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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December 31, 2018	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Bank borrowings	\$ 343,193	350,409	130,087	220,322	-	-
Notes payable	1,355	1,355	1,355	-	-	-
Trade payables	50,678	50,678	50,678	-	-	-
Other payables and payables for machinery and equipment	15,541	15,541	15,541	-	-	-
Dividends payable	90,000	90,000	90,000	-	-	-
	<u>\$ 500,767</u>	<u>507,983</u>	<u>287,661</u>	<u>220,322</u>	<u>-</u>	<u>-</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk as of December 31, 2019 and 2018 were as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$ 8,673	30.1231	261,271	6,976	30.7393	214,427
Financial liabilities						
Monetary items						
USD	751	30.6927	23,053	11,814	30.7196	362,915

The Group's exposure to foreign currency risk arises from the translation of the foreign exchange gains and losses on cash and cash equivalents, receivables, payables, and loans and borrowings that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD or THB against the USD as of December 31, 2019 and 2018, would have decreased (increase) the net profit before tax for the years ended December 31, 2019 and 2018 by \$2,382 thousand and \$1,485 thousand, respectively.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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2) Foreign exchange gain and loss on monetary items

The exchange rate information on the foreign exchange gain and loss (including realized and unrealized) for the years ended December 31, 2019 and 2018, arising from the translation of the Group's monetary items into the subsidiary's functional currency of Thai Baht, and the parent company's functional currency, the New Taiwan dollar, which is also the Group's presentation currency, were as follows:

	2019		2018	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	(5,365)	1.00	6,209	1.00
THB	20,548	1.0008	7,807	0.9377

(iv) Interest rate analysis

The Group has floating interest rates on its time deposits, short-term borrowings, and long-term borrowings from the banks. Since the market interest rates did not fluctuate significantly, changes of the interest rates did not cause a significant risk of cash flow.

(v) Fair value information – hierarchies and fair value of financial instruments

1) Hierarchies and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amount	December 31, 2019			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized costs					
Cash and cash equivalents	\$ 150,961	-	-	-	-
Trade receivables	213,239	-	-	-	-
Other receivables	19,796	-	-	-	-
Restricted bank deposits	6,331	-	-	-	-
Refundable deposits	351	-	-	-	-
Total	\$ 390,678	-	-	-	-

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

		December 31, 2019				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized costs						
Bank borrowings	\$ 395,612	-	-	-	-	
Notes payable and trade payables	42,112	-	-	-	-	
Other payables and payables for machinery and equipment	16,732	-	-	-	-	
Lease liabilities	<u>1,957</u>	-	-	-	-	
<b>Total</b>	<b>\$ <u>456,413</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
		December 31, 2018				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized costs						
Cash and cash equivalents	\$ 143,838	-	-	-	-	
Trade receivables	129,592	-	-	-	-	
Other receivables	10,444	-	-	-	-	
Restricted bank deposits	5,903	-	-	-	-	
Refundable deposits	<u>906</u>	-	-	-	-	
<b>Total</b>	<b>\$ <u>290,683</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Financial liabilities measured at amortized costs						
Bank borrowings	\$ 343,193	-	-	-	-	
Notes payable and trade payables	52,033	-	-	-	-	
Other payables and payables for machinery and equipment	15,541	-	-	-	-	
Dividends payable	<u>90,000</u>	-	-	-	-	
<b>Total</b>	<b>\$ <u>500,767</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(v) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1. Credit risk.
2. Liquidity risk.
3. Market risk.

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group has exposures to the risks arising from the normal operation such as credit risk, interest risk, liquidity risk, and currency risk. In order to timely and correctly monitor and control the hedging transactions, the Group established management procedures on overall business strategy, risk tolerance, philosophy of risk management, and risk management policies. The management reviews the above policies regularly to ensue in accordance with the Group's policy.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits, receivables and other financial instruments.

The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the management.

In order to determine the concentration of credit risk, the Group continuously monitors its trade receivables by country.

The Board of Directors and the management have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Credit limits are established for each customer. Customers that fail to meet the Group's credit policy may enter into transactions with the Group only on a prepayment basis or within basic credit limits.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2019 and 2018, the Group's unused credit lines were \$506,917 and \$366,766, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD and THB. The currencies used in these transactions are the NTD, USD and THB.

To manage market risks in respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to mitigate any short-term gap. All such transactions are carried out within the scope of the Group's internal control policy.

2) Interest rate risk

The Group's interest rate risk arises both from financial assets which are bank deposit and financial liabilities which are short and long term bank borrowings. However, the impacts on those financial assets and liabilities resulting from changes in interest rates are insignificant.

(w) Capital management

The Group's objectives for managing capital are to maintain the ability to continue the operation, to continue to provide a return to shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital to return to shareholders, issue new shares, or sell assets to settle any liabilities.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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The Group uses the debt-to-equity ratio to manage capital. This ratio is the total debt divided by the total equity. The total debt is derived from the total liabilities on the balance sheet. The total equity includes the amount of common stock, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group's collective quantitative data is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 501,040	551,708
Less: cash and cash equivalents	150,961	143,838
Net debt	<u>\$ 350,079</u>	<u>407,870</u>
Total equity	<u>\$ 699,537</u>	<u>457,750</u>
Debt-to-equity ratio	<u>50.04 %</u>	<u>89.10 %</u>

As of December 31, 2019, there were no changes in the Group's approach of capital management.

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities from financing activities for the years ended December 31, 2019 and 2018 were as follows:

	January 1, 2019 (after restatement)	Cash flows	Non-cash changes				December 31, 2019
			Acquisition	Foreign exchange movement	Fair value changes	Reclassification	
Short-term borrowings	\$ 120,925	231,608	-	3,412	-	-	355,945
Long-term borrowings (including current portion)	222,268	(184,102)	-	1,501	-	-	39,667
Lease liabilities	2,784	(852)	-	25	-	-	1,957
Total liabilities from financing activities	<u>\$ 345,977</u>	<u>46,654</u>	<u>-</u>	<u>4,938</u>	<u>-</u>	<u>-</u>	<u>397,569</u>

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Acquisition	Foreign exchange movement	Fair value changes	
Short-term borrowings	\$ 117,165	-	-	3,760	-	120,925
Long-term borrowings (including current portion)	207,969	7,626	-	6,673	-	222,268
Total liabilities from financing activities	<u>\$ 325,134</u>	<u>7,626</u>	<u>-</u>	<u>10,433</u>	<u>-</u>	<u>343,193</u>

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(7) Related-party transactions**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Grand Lake Living Co., Ltd.	The major investor is the Chairman of the Group
Window Coverings Co., Ltd.	The major investor is the Chairman of the Group
Mr. Ta Chin Hsu	The Chairman of the Group
Ms. Chen Jung Hsu	The President of the Group
Mr. Wen Chih Hsu	The Vice President of the Group

(b) Significant transactions with related parties

(i) Operating costs

The details of the Group's operating costs for the manufacturing services provided by the related party, for the years ended December 31, 2019 and 2018, were as follows and were recognized under direct labor costs:

	<u>2019</u>	<u>2018</u>
Grand Lake Living Co., Ltd.	\$ <u>16,194</u>	<u>48,504</u>

The amounts of other payables of the Group due to above transactions were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Grand Lake Living Co., Ltd.	\$ <u>859</u>	<u>3,796</u>

The service charges for the above services were determined based on the actual produced quantities in each month with a pre-determined limitation. Besides, the prices for the sporadic appliances provided by the related party were determined based on local market prices.

(ii) Leases

In May 2018, the Group rented an office building in Bangkok from Window Coverings Co., Ltd. A five-year lease contract was signed, in which the rental fee is determined based on the office rental rates in the neighbourhood. The total value of the contract was THB600 thousand. Rental expenses for the year ended December 31, 2018, amounted to \$120 thousand. There was no lease payable as of December 31, 2018. Upon adopting IFRS 16 on January 1, 2019, the Group recognized right-of-use assets and lease liabilities for \$499 thousand, respectively. As of December 31, 2019, the balance of lease liabilities amounted to \$404 thousand.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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(iii) Guarantee

As of December 31, 2019 and 2018, Mr. Ta Chin Hsu, Ms. Chen Jung Hsu, and Mr. Wen Chih Hsu had provided guarantees to the Group for bank loans and credit facilities based on their personal credit or bank savings. The related parties did not charge any rewards from the Group for the guarantees provided.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 9,001	9,585

(8) Pledged assets

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted bank deposits(recorded under other non-current assets)	Electricity guarantee	\$ 6,331	5,903
Land	Long-term and short-term credit facilities	24,557	23,181
Buildings	Long-term and short-term credit facilities	176,812	179,379
Construction in progress	Long-term borrowings	41,524	7,127
Investment property	Long-term and short-term credit facilities	31,840	30,055
Total		\$ 281,064	245,645

(9) Significant commitments and contingencies

As of December 31, 2019, the Group has signed agreements for constructions and machinery equipment amounting to \$68,353 thousand. The Group has already paid \$42,027 thousand, which were recorded under the accounts construction in progress and prepayments for machinery equipment.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
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**(12) Other**

- (a) A summary of employee benefits, depreciation, depletion and amortization, by function, is as follows:

By function By item	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries (note)	183,100	31,469	214,569	183,376	29,775	213,151
Labor and health insurance	6,276	868	7,144	5,074	716	5,790
Pension	-	2,892	2,892	-	2,190	2,190
Other employee benefits	3,574	351	3,925	2,626	176	2,802
Depreciation	40,073	6,529	46,602	31,597	5,086	36,683
Amortization	-	-	-	-	-	-

Note: The salaries under operating costs include the charges for manufacturing services of \$16,194 thousand and \$48,504 thousand for the years ended December 31, 2019 and 2018, respectively.

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**THAI KIN CO., LTD.**  
**Notes to Consolidated Interim Financial Statements**

**(13) Other disclosures****(a) Information on significant transactions**

The followings are the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2019:

**(i) Loans to other parties**

Number (note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 2)	Transaction amount for business between two parties	Reasons for short-term financing (note 3)	Loss allowance	Collateral		Individual funding loan limits (note 4)	Maximum limit of fund financing (note 4)
													Item	Value		
0	The Company	Paokin	Other receivables related parties	Yes	20,000	20,000	16,779	2.50	2	-	Operating capital	-	-	-	279,740	279,740
1	Royal Finishing	Paokin	Other receivables related parties	Yes	5,049	5,049	-	2.50	2	-	Operating capital	-	-	-	171,824	171,824

Note 1: The information of the Company and the subsidiary companies should be listed separately. The number representations are as follows:

1. 0 represents the Company.
2. 1 and thereafter represent the subsidiary companies.

Note 2: The purpose of fund financing for the borrower is classified as follows:

1. 1 represents business related.
2. 2 represents short-term financing.

Note 3: When the purpose of fund financing for the borrower is classified as 2, specify the necessary reasons for the loans and the purposes of the borrower, such as repayments of borrowings, purchase of equipment, and operating capital.

Note 4: 1. In accordance with the Company's policy of loans to other parties, the maximum amount for lending shall not exceed 40% of the net worth on the Company's latest financial statements. Meanwhile, the total amount available for lending purposes shall not exceed 40% of the net worth on the Company's latest financial statements.

2. In accordance with Royal Finishing's policy of loans to other parties, the maximum amount for lending shall not exceed 40% of the net worth on Royal Finishing's latest financial statements. Meanwhile, the total amount available for lending purposes shall not exceed 40% of the net worth on Royal Finishing's latest financial statements.

Note 5: The above transactions within the Group have been eliminated in the consolidated financial statements.

**(ii) Guarantees and endorsements for other parties**

No. (note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 3)	Maximum balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum limit for guarantees and endorsements (note 3)	Endorsements/ guarantees / provided by parent company for subsidiary	Endorsements/ guarantees / provided by parent company	Endorsements/ guarantees / provided for companies in China
		Name	Relationship with the Company (note 2)										
0	The Company	Royal Finishing Co., Ltd.	2	279,740	239,840	239,840	-	-	34.29 %	349,675	Y	N	N
1	Royal Finishing Co., Ltd.	The Company	3	171,824	60,000	60,000	-	-	13.97 %	214,781	N	Y	N

Note 1: The information of the Company and the subsidiary companies should be listed separately. The number representations are as follows:

1. 0 represents the Company.
2. 1 and thereafter represent the subsidiary companies.

Note 2: The relationship between guarantor and guarantee is as follows:

1. Regular business relationship.
2. A subsidiary whose common stock is more than 50% owned by the guarantors.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The policies of the Company and the subsidiary companies regarding the guarantees and endorsements for other parties are as follows:

1. Maximum amount for guarantees and endorsements from the Company.
  - a. The aggregate amount of external endorsements/ guarantees of the Company shall not exceed 50% of the net worth on the Company's latest audited financial statements.
  - b. The amount of endorsements/ guarantees for each individual party shall not exceed 40% of the net worth on the Company's latest audited financial statements.
  - c. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares can provide endorsements/ guarantees for each other with the limit of not exceeding 10% of the Company's net worth on the latest audited financial statements. The aforementioned limit is not applicable to endorsements/ guarantees between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
  - d. The overall endorsement/ guarantee amounts of the Group provided to external parties shall not exceed 50% of the net worth on the Company's latest audited financial statements.
  - e. The accumulated endorsement/ guarantee amounts of the Group provided to an individual party shall not exceed 40% of the net worth on the Company's latest audited financial statements.

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**THAI KIN CO., LTD.**  
**Notes to Consolidated Interim Financial Statements**

2. Maximum amount for guarantees and endorsements from Royal Finishing

- a. The aggregate amount of external endorsements/ guarantees of Royal Finishing shall not exceed 50% of the net worth on Royal Finishing's latest audited (reviewed) financial statements or the net worth included in the latest Group's consolidated financial statements audited (reviewed) by auditors.
- b. The aggregate amount of endorsements/ guarantees for each individual party shall not exceed 40% of the net worth on Royal Finishing's latest audited (reviewed) financial statements or the net worth included in the latest Group's consolidated financial statements audited (reviewed) by auditors.
- c. Companies in which Royal Finishing holds, directly or indirectly, 90% or more of the voting shares can provide endorsements/ guarantees for each other with the limit of not exceeding 10% of Royal Finishing's net worth on the latest audited financial statements. The aforementioned limit is not applicable to endorsements/ guarantees between companies in which Royal Finishing holds, directly or indirectly, 100% of the voting shares.

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/ trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/ sales (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/ trade receivables (payables) (%)	
The Company	Royal Finishing	Subsidiary	Sales	(289,288)	38.17 %	60 days	(Note 1)		88,435	36.06 %	(Note 2)
The Company	Royal Finishing	Subsidiary	Purchase	336,246	54.10 %	60 days	(Note 1)	-	(46,037)	78.52 %	(Note 2)
Royal Finishing	Thai Kin Company Limited	Subsidiary	Sales	(84,446)	9.67 %	60 days	(Note 1)		27,036	28.13 %	(Note 2)

Note 1: The price was determined by mutual agreements.

Note 2: The above transactions within the Group have been eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Amounts received in subsequent			Impairment provision	Note
					Overdue	Action taken	period (note 1)		
The Company	Royal Finishing	Subsidiary	88,435	296.00	-		81,939	-	Note 2

Note 1: As of March 20, 2020.

Note 2: The above transactions within the Group have been eliminated in the consolidated financial statements.

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Royal Finishing	1	Sales	289,288	The price was determined by mutual agreements.	28.76%
0	The Company	Royal Finishing	1	Trade receivables	88,435	No significant different than other customers	7.37%
0	The Company	Royal Finishing	1	Purchases	336,246	The price was determined by mutual agreements.	33.43%
0	The Company	Royal Finishing	1	Trade receivables	46,037	No significant different than other suppliers	3.84%
0	The Company	Royal Finishing	1	Management service income	12,000	The price was determined by mutual agreements.	1.19%
1	Royal Finishing	Thai Kin Company Limited	3	Sales	84,446	The price was determined by mutual agreements.	8.40%
1	Royal Finishing	Thai Kin Company Limited	3	Trade receivables	27,036	No significant different than other customers	2.25%

Note 1: The numbering is as follows:

1. 0 represents parent company.

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**THAI KIN CO., LTD.**  
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2. 1 represents the subsidiary company, Royal Finishing.

Note 2: The nature of relationship is as follows:

1. Parent company to subsidiary company.
2. Subsidiary company to parent company.
3. Subsidiary company to subsidiary company.

Note 3: The account should be disclosed if the amount is over 1% of the total assets from the balance sheet and total operating revenue from the statement of comprehensive income.

(b) Information on investees

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	Royal Finishing	Thailand	Manufacture home decorations and hardware parts	328,122	328,122	299,997	99.99 %	428,229	43,106	43,102	
The Company	PaoKin	Thailand	Manufacture home decorations and hardware parts	18,204	18,204	197,000	98.50 %	9,453	(3,546)	(3,493)	
The Company	Thai Kin Company Limited	Hong Kong	Sales of home decorations and hardware parts	-	-	-	100.00 %	13,733	14,160	14,160	
Royal Finishing	Mira Home, Inc.	U.S.A	Sales of home decorations and hardware parts	154	154	500	100.00 %	-	(55)	(55)	

Note 1: Long-term investment and investment gains and losses have been recognized by using the equity method based on the financial statements of the investee companies audited by the Group's auditors.

Note 2: The long-term investment and investment gains or losses have been eliminated in the preparation of the consolidated financial statements.

(c) Information on investment in mainland China: None.

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**THAI KIN CO., LTD. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(14) Segment information**

(a) General information

The chief operating decision maker regularly reviews the operating result, so as to determine the resource allocation and make a performance evaluation. The Group has a single reportable segment, which manufactures and sells home decorations and hardware parts.

(b) Product information

The Group operates in a single industry to manufacture and sell home decorations and hardware parts. Revenue from the external customers of the Group was disclosed in the consolidated statements of comprehensive income.

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of assets.

Revenue from external customers:

<u>Geographical information</u>	<u>2019</u>	<u>2018</u>
Europe	\$ 349,048	464,835
America	650,998	425,205
Asia	5,774	4,337
Total	<u>\$ 1,005,820</u>	<u>894,377</u>

Non-current assets:

<u>Geographical information</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Thailand	\$ 500,795	438,434
Taiwan	2,927	1,108
Total	<u>\$ 503,722</u>	<u>439,542</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, and prepayments for equipment, and exclude financial instruments, deferred tax assets, and rights arising from an insurance contract (non-current).

(d) Major customers

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
A customer	\$ 329,005	32.71	249,954	27.95
B customer	251,199	24.98	269,351	30.11
C customer	99,400	9.88	197,469	22.08
	<u>\$ 679,604</u>	<u>67.57</u>	<u>716,774</u>	<u>80.14</u>