# M. J. International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

The Board of Directors and Shareholders
M. J. International Co., Ltd.

**Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31,

2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the audit of the Group's consolidated financial statements for the year ended December 31, 2019 are stated below:

The operating revenue was $3,468,163 thousand for the year of 2019; while the sales amount of customer A accounted for approximately 38% of the consolidated operating revenue, and the sales amount of customer B accounted for approximately 20% of the consolidated operating revenue. we deemed the occurrence of sales to that specific customers particularly as a key audit matter. Please refer to Note 4(16) and Note 25 to the consolidated financial statements for the revenue recognition accounting policy.

Our audit procedures performed included the following：

1. Through understanding the design and implementation of the internal control over sales and collection cycle, we accordingly designed audit procedures on the internal control over sales and collection cycle, in order to confirm and evaluate the effectiveness of the Group's internal control over sales and collection cycle.
2. We selected appropriate samples from the sales transactions with the above-mentioned customer; reviewed shipment orders, invoices, bill of lading, and other customs documents; and verified remittance counterparties and cash receipts process, in order to confirm the occurrence of sales. We also reviewed sales returns and allowances occurred with the above-mentioned customer after the date of December 31, 2019.

**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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiang-Shiun Chen and Keng-Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 5,2020

**M. J. International Co., Ltd. and subsidiaries**

**CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018**

**(In Thousands of New Taiwan Dollars)**

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Assets | Amount | % | Amount | % |
| Current assets | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 280,800 | 6 | $ 666,079 | 18 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 336,684 | 8 | 58,469 | 2 |
| Financial assets at fair value through other comprehensive income -current (Notes 4, 5, 8, 9 and 34) | 350,515 | 8 | 429,183 | 11 |
| Notes receivable (Notes 4, 5, 10 and 25) | 2,440 | - | 9,003 | - |
| Notes receivable - related parties (Notes 4, 5, 22 and 30) | 765 | - | 425 | - |
| Trade receivables (Notes 4, 5, 11 and 22) | 1,001,911 | 23 | 922,870 | 25 |
| Trade receivables - related parties (Notes 4, 5, 22 and 30) | 48,340 | 1 | 37,136 | 1 |
| Other receivables (Notes 4 and 10) | 32,510 | 1 | 34,931 | 1 |
| Current tax assets (Notes 4 and 27) | 639 | - | - | - |
| Inventories (Notes 4 and 12) | 422,122 | 10 | 356,631 | 9 |
| Other current assets - others (Notes 16 and 17) | 101,656 | 2 | 89,580 | 2 |
| Total current assets | 2,578,382 | 59 | 2,604,307 | 69 |
| Non-current assets | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5, 8 and 9) | 28,903 | 1 | 26,612 | 1 |
| Property, plant and equipment (Notes 4 and 14) | 1,522,937 | 35 | 989,331 | 26 |
| Right-of-use assets (Notes 3,4 and 15) | 70,712 | 1 | - | - |
| Investment properties (Notes 4 and 16) | 45,762 | 1 | - | - |
| Goodwill (Notes 4,17 and 29) | 8,795 | - | - | - |
| Other intangible assets (Notes 4 and 15) | 39,064 | 1 | 2,416 | - |
| Deferred income assets (Notes 4 and 24) | 5,406 | - | 4,036 | - |
| Long-term prepayments for leases (Note 16) | - | 2 | 54,761 | 2 |
| Other non-current assets (Notes 4, 17 and 31) | 86,840 | 2 | 87,398 | 2 |
| Total non-current assets | 1,808,419 | 41 | 1,164,554 | 31 |
| Total assets | $ 4,386,801 | 100 | $ 3,768,861 | 100 |
| Liabilities and equity | | | | |
| Current liabilities | | | | |
| Short-term borrowings (Notes4, 21 and 34) | $ 944,000 | 22 | $ 474,000 | 13 |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7) | - | - | 4 | - |
| Contract liabilities - current (Notes 4 and 25) | 42,952 | 1 | 31,588 | 1 |
| Trade payables | 351,956 | 8 | 465,965 | 12 |
| Other payables (Notes 22and 30) | 318,587 | 7 | 268,985 | 7 |
| Current tax liabilities (Notes 4 and 27) | 63,340 | 2 | 18,363 | 1 |
| Provisions - current (Notes 4 and 22) | 14,788 | - | 16,219 | - |
| Lease liabilities - current (Notes3, 4 and 15) | 6,207 | - | - | - |
| Other current liabilities | 709 | - | 2,121 | - |
| Total current liabilities | 1,745,539 | 40 | 1,277,245 | 34 |
| Non-current liabilities | | | | |
| Deferred tax liabilities (Notes 4 and 27) | 8,965 | - | 54,506 | 1 |
| Lease liabilities - non-current (Notes 3, 4 and 15) | 13,133 | - | - | - |
| Guarantee deposits | 358 | - | - | - |
| Total non-current liabilities | 22,456 | - | 54,506 | 1 |
| Total liabilities | 1764,995 | 40 | 1,331,751 | 35 |
| Equity attributable to owners of the company (Note 24) | | | | |
| Share capital | | | | |
| Ordinary shares | 660,590 | 15 | 660,590 | 18 |
| Capital surplus | 1,205,967 | 28 | 1,205,967 | 32 |
| Retained earnings | | | | |
| Legal reserve | 137,496 | 3 | 106,452 | 3 |
| Special reserve | 80,046 | 2 | 52,462 | 1 |
| Unappropriated earnings | 635,669 | 14 | 491,685 | 13 |
| Total retained earnings | 853,211 | 19 | 650,599 | 17 |
| Other equity | ( 127,888 ) | ( 3 ) | ( 80,046 ) | ( 2 ) |
| Total equity attributable to owners of the company | 2,591,880 | 59 | 2,437,110 | 65 |
| Total equity | 29,926 | 1 | - | 65 |
| Total equity | 2,621,806 | 60 | 2,437,110 | 65 |
| Total liabilities and equity | $ 4,386,801 | 100 | $ 3,768,861 | 100 |

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

## M. J. International Co., Ltd. and subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

| | 2019 Amount | 2019 % | 2018 Amount | 2018 % |
|---|---|---|---|---|
| OPERATING REVENUE (Notes 4, 25 and 33) | | | | |
| Sales | $ 3,468,163 | 100 | $ 2,979,348 | 100 |
| OPERATING COSTS ( Notes 11 and 26) | | | | |
| Cost of goods sold | ( 2,576,616 ) | ( 74 ) | ( 2,333,872 ) | ( 78 ) |
| GROSS PROFIT | 891,547 | 26 | 645,476 | 22 |
| OPERATING EXPENSES (Note 26) | | | | |
| Selling and marketing expenses | ( 266,596 ) | ( 8 ) | ( 223,915 ) | ( 8 ) |
| General and administrative expenses | ( 181,772 ) | ( 5 ) | ( 154,740 ) | ( 5 ) |
| Research and development expenses | ( 4,147 ) | - | ( 8,642 ) | - |
| Expected credit loss ( Notes 4 and 10) | ( 250 ) | - | - | - |
| Total operating expenses | ( 452,765 ) | ( 13 ) | ( 387,297 ) | ( 13 ) |
| PROFIT FROM OPERATIONS | 438,782 | 13 | 258,179 | 9 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Notes 4 and 26) | 32,741 | 1 | 45,320 | 1 |
| Other gains and losses (Notes 4 and 26) | ( 8,704 ) | ( 1 ) | 16,338 | 1 |
| Financial costs (Notes 4 and 26) | ( 5,480 ) | - | ( 5,134 ) | - |
| Share of profit or loss of associates and joint ventures（Notes 4 and 13） | 345 | - | - | - |
| Total non-operating income and expenses | 18,902 | - | 56,524 | 2 |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 457,684 | 13 | 314,703 | 11 |
| INCOME TAX EXPENSE (Notes 4 and 27) | ( 55,350 ) | ( 1 ) | ( 4,267 ) | - |
| NET PROFIT FOR THE YEAR | 402,334 | 12 | 310,436 | 11 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 21) | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | ( 86,714 ) | ( 3 ) | ( 208 ) | - |
| Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income | 38,033 | 1 | ( 47,108 ) | 2 |
| Other comprehensive income/(loss) for the year, net of income tax | ( 48,681 ) | ( 2 ) | ( 47,316 ) | ( 2 ) |
| TOTAL COMPREHENSIVE INCOME/ FOR THE YEAR | $ 353,653 | 10 | $ 263,120 | 9 |
| NET PROFIT/(LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of parent | $ 402,465 | 12 | $ 310,436 | 10 |
| Non-controlling interests | ( 131 ) | - | - | - |
| | $ 402,334 | 12 | $ 310,436 | 10 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of parent | $ 354,623 | 10 | $ 263,120 | 9 |
| Non-controlling interests | ( 970 ) | - | - | - |
| | $ 353,653 | 10 | $ 263,120 | 9 |
| EARNINGS PER SHARE (Note 28) | | | | |
| Owners of parent | $ 6.09 | | $ 4.70 | |
| Non-controlling interests | $ 6.06 | | $ 4.67 | |

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

**M. J. International Co., Ltd. and subsidiaries**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2019AND 2018**
**(In Thousands of New Taiwan Dollars)**

| | Equity attributable to owners of the company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | |
| | Share capital | Capital surplus | Legal Reserve | Special Reserve | Unappropriated earnings | Exchange differences translating the financial statements of foreign operations | Unrealized gains (loss) on financial assets at fair value through other comprehensive income | Non-controlling Interests | Total equity |
| BALANCE AT JANUARY 1, 2018 | $ 660,590 | $ 1,205,967 | $ 56,980 | $ - | $ 679,537 | ($ 52,462 ) | $ 19,732 | $ - | $ 2,570,344 |
| Appropriation of 2017 earnings | | | | | | | | | |
| Legal reserve | - | - | 49,472 | - | ( 49,472 ) | - | - | - | - |
| Special reserve | - | - | - | 52,462 | ( 52,462 ) | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | ( 396,354 ) | - | - | - | ( 396,354 ) |
| Net profit for the year ended December 31, 2018 | - | - | - | - | 310,436 | - | - | - | 310,436 |
| Other comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | - | ( 208 ) | ( 47,108 ) | - | ( 47,316 ) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | 310,436 | ( 208 ) | ( 47,108 ) | - | 263,120 |
| BALANCE AT DECEMBER 31, 2018 | 660,590 | 1,205,967 | 106,452 | 52,462 | 491,685 | ( 52,670 ) | ( 27,376 ) | - | 2,437,110 |
| Effect of retrospective application and retrospective restatement | - | - | - | - | ( 1,676 ) | - | - | - | ( 1,676 ) |
| BALANCE AT JANUARY 1,2019 AS RESTATED | 660,590 | 1,205,967 | 106,452 | 52,462 | 490,009 | ( 52,670 ) | ( 27,376 ) | - | 2,435,434 |
| Appropriation of 2018 earnings | | | | | | | | | |
| Legal reserve | - | - | 31,044 | - | ( 31,044 ) | - | - | - | - |
| Special reserve | - | - | - | 27,584 | ( 27,584 ) | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | ( 198,177 ) | - | - | - | ( 198,177 ) |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 402,465 | - | - | ( 131 ) | 402,334 |
| Other comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | ( 85,875 ) | 38,033 | ( 839 ) | ( 48,681 ) |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 402,465 | ( 85,875 ) | 38,033 | ( 970 ) | 353,653 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | 30,896 | 30,896 |
| BALANCE AT DECEMBER 31, 2019 | $ 660,590 | $ 1,205,967 | $ 137,496 | $ 80,046 | $ 635,669 | ( $ 138,545 ) | $ 10,657 | $ 29,926 | $ 2,621,806 |

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

**M. J. International Co., Ltd. and subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(In Thousands of New Taiwan Dollars)**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 457,684 | $ 314,703 |
| Adjustments for: | | |
| Expected credit loss recognizedon trade receivables | 250 | - |
| Depreciation expenses | 133,370 | 104,929 |
| Amortization expenses | 3,886 | 2,644 |
| Amortization of prepayments for leases | - | 1,416 |
| Finance costs | 5,480 | 5,134 |
| Interest income | ( 31,109 ) | ( 39,956 ) |
| Share of loss of associates and joint ventures | ( 345 ) | - |
| Write-downs of inventories | 35,713 | 7,881 |
| (Gain)/loss on disposal of property, plant and equipment | 95 | 91 |
| Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss | ( 729 ) | ( 116 ) |
| Net (gain)/loss on disposal of financial assets | ( 1,908 ) | 11,192 |
| (Gain)/loss on disposal of investments accounted for using equity method | ( 1,526 ) | - |
| Net (gain)/loss on foreign currency exchange | 85 | ( 8,131 ) |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value e | 2,527 | 646 |
| Decrease (increase) in notes receivable | 6,563 | ( 1,886 ) |
| Decrease (increase) in accounts receivable due from related parties | ( 340 ) | 17,009 |
| Decrease (increase) in trade receivable | ( 80,089 ) | 104,258 |
| Decrease (increase) in trade receivable due from related parties | ( 11,204 ) | ( 11,081 ) |
| Decrease (increase) in other receivable | 437 | ( 7,967 ) |
| Decrease (increase) in inventories | ( 81,082 ) | ( 91,421 ) |
| Decrease (increase) in other current assets | ( 14,999 ) | ( 42,296 ) |
| Increase (decrease) in financial liabilities held for trading | ( 4 ) | - |
| Increase (decrease) in contract liabilities | 13,060 | 9,277 |
| Increase (decrease) in accounts payable | ( 137,371 ) | 142,802 |
| Increase (decrease) in other payable | 20,824 | 39,351 |
| Increase (decrease) in provisions | ( 1,075 ) | ( 1,636 ) |
| Increase (decrease) in other current liabilities | ( 1,399 ) | 996 |

(Continued)

| | 2019 | 2018 |
|---|---|---|
| Net cash flows from (used in) operating activities | $ 316,794 | $ 557,839 |
| Interest received | 9,879 | 10,966 |
| Interest paid | ( 5,480 ) | ( 5,134 ) |
| Income tax paid | ( 55,625 ) | ( 78,112 ) |
| Net cash generated from operating activities | 265,568 | 485,559 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | ( 27,384 ) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 106,511 | 222,320 |
| Acquisition of financial assets at fair value through profit or loss | ( 834,478 ) | ( 62,625 ) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 540,094 | 77,351 |
| Acquisition of investments accounted for using equity method | ( 32,089 ) | - |
| Acquisition of property, plant and equipment | ( 682,005 ) | ( 80,660 ) |
| Proceeds from disposal of property, plant and equipment | - | 262 |
| Acquisition of intangible assets | ( 438 ) | ( 549 ) |
| Net cash flow from acquisition of subsidiaries | 1,078 | - |
| Increase in refundable deposits | ( 42,012 ) | ( 1,000 ) |
| Decrease in other financial assets | - | 76,542 |
| Increase in other non-current assets | ( 2,721 ) | ( 47,084 ) |
| Interest received | 22,158 | 29,433 |
| Net cash flows from (used in) investing activities | ( 923,902 ) | 186,606 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term loans | 481,976 | - |
| Decrease in short-term loans | - | ( 147,786 ) |
| Increase in guarantee deposits received | 341 | - |
| Payments of lease liabilities | ( 4,184 ) | - |
| Cash dividends paid | ( 198,177 ) | ( 396,354 ) |
| Net cash flows from (used in) financing activities | 279,956 | ( 544,140 ) |
| | | |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | ( 6,901 ) | ( 1,816 ) |
| | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | ( 385,279 ) | 126,209 |
| | | |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 666,079 | 539,870 |
| | | |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 280,800 | $ 666,079 |

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

**M. J. International 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. GENERAL INFORMATION

M. J. International Co., Ltd. (hereinafter referred to as the "Company") was incorporated in the Cayman Islands on October 8, 2010. The Company is the holding company that has reorganized the organizational structure for the listing of stocks on the Taiwan Stock Exchange. After the reorganization, the company became the holding company of all the merged entities. The Company's shares have been listed on the Taiwan Stock Exchange since November1 2016. The Company and its subsidiaries (hereinafter referred to as the "Group") are primarily engaged in the business of developing, manufacturing and selling LVT floors.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 5, 2020.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and

IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

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

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee’s weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.55%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 11,029 |
| Less: Recognition exemption for short-term leases | ( 1,502 ) |
| Undiscounted amounts on January 1, 2019 | $ 9,527 |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | |
| Lease liabilities recognized on January 1, 2019 | $ 9,095 |

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

| | As Originally Stated on January 1, 2019 | Adjustments Arising from Initial Application | Restated on January 1, 2019 |
|---|---|---|---|
| Prepayments for leases - current | $ 1,389 | ($ 1,389) | $ - |
| Prepayments for leases - non-current | 54,761 | ( 54,761) | - |
| Right-of-use assets | - | 63,569 | 63,569 |
| Total effect on assets | | $ 7,419 | |
| | | | |
| Lease liabilities - current | - | $ 3,396 | 3,396 |
| Lease liabilities - non-current | - | 5,699 | 5,699 |
| Total effect on liabilities | | $ 9,095 | |
| | | | |
| Retained earnings | 650,599 | ($ 1,676) | 648,923 |
| Total effect on equity | | ($ 1,676) | |

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 1) |
| Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" | January 1, 2020 (Note 2) |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

Amendments to IAS 1 and IAS 8 "Definition of material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

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

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

| New IFRSs | Effective Date Announced by IASB (Note) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2022 |

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

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

See Note 12 and Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of its foreign operations (including subsidiaries, associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate)..

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and inventories in transit are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence.

The Group uses the equity method to account for its investments in associates

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories
b)

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any interests earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32: Financial Instruments.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss., except for cases where the interest recognition of

short-term receivables is not significant, Exchange differences are recognized in profit or loss.
Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i) Internal or external information show that the debtor is unlikely to pay its creditors.

ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss.

Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Group enters into derivative financial instruments are foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

o. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with sales contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

p. Revenue recognition

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

Revenue from the sale of goods comes from sales of LVT floors are recognized as revenue when the goods are shipped or the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Advance receipts are recognized as contract liabilities before the goods are shipped.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize provisions, which is classified under other payables.

q. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

<u>2018</u>

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

The Group as lessee
Operating lease payments are recognized as expenses on a straight-line basis over the

lease term.

r. Borrowing costs

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

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

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

s. Government grants

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

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

3) Current and deferred taxes

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

### Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash on hand | $ 2,817 | $ 2,988 |
| Checking accounts and demand deposits | 186,660 | 418,108 |
| Cash equivalents (investments with original maturities of less than 3 months) | | |
| Time deposits | 91,323 | 244,983 |
| | $ 280,800 | $ 666,079 |

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Bank balance | 0.01%～2.00% | 0.01%～3.00% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financial assets - current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Derivative financial assets (not under hedge accounting) | | |
| －Foreign exchange forward contracts (a) | $ 707 | $ 2,527 |
| Hybrid financial assets | | |
| －Structured deposits (b) | 335,977 | 55,942 |
| | $ 336,684 | $ 58,469 |
| | | |
| Financial liabilities-current | | |
| Financial liabilities held for trading | | |
| Derivative financial assets (not under hedge accounting) | | |
| －Foreign exchange forward contracts (a) | $ - | $ 4 |

(I) At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows：

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| December 31, 2019 | | | |
| Sell | USD/RMB | 2020.1.21 | USD 2,000/RMB 14,103 |

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| December 31, 2018 | | | |
| Sell | USD/RMB | 2019.1.24~2019.3.25 | USD 8,500/RMB 58,988 |
| Sell | USD/RMB | 2019.1.3 | USD 1,000/RMB 6,870 |

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

(II)

c. The Group entered into a structured time deposit contract with Bank. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

d. The Group may not redeem some financial instruments earlier before the investment period expires.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| Investments in debt instruments at FVTOCI | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current | | |
| Overseas investments | | |
| Overseas bond investment | $ 350,515 | $ 429,183 |
| Non-Current | | |
| Overseas investments | | |
| Overseas bond investment | $ 28,903 | $ 26,612 |

1) Refer to Note 9 for information relating to their credit risk management and impairment.

2) Refer to Note 34 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Gross carrying amount | $ 377,250 | $ 496,790 |
| Less: Allowance for impairment loss | ( 7,354) | ( 12,798) |
| Amortized cost | 10,657 | ( 27,376) |
| Effect of exchange rate changes | ( 1,135) | ( 821) |
| | $ 379,418 | $ 455,795 |

The Group invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

December 31, 2019

| Category | Description | Basis for Recognizin Expected Credit Loss (ECLs) | Expected Loss Rate | Gross Carrying Amount |
|---|---|---|---|---|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows. | 12m ECL | 0% | $ 279,668 |
| Doubtful | There has been a significant increase in credit risk since initial recognition, or the debtor has a higher credit risk but still has a strong capacity to meet contractual cash flows | Lifetime ECLs - not credit-impaired | 0.47%~ 12.58 % | 97,582 |
| In default | Tere is evidence indicating the asset is credit-impaired | Lifetime ECLs - credit-impaired | 20.39% | - |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written o | 100% | - |
| | | | | $ 377,250 |

December 31, 2018

| Category | Description | Basis for Recognizin Expected Credit Loss (ECLs) | Expected Loss Rate | Gross Carrying Amount |
|---|---|---|---|---|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows. | 12m ECL | 0% | $ 312,578 |
| Doubtful | There has been a significant increase in credit risk since initial recognition, or the debtor has a higher credit risk but still has a strong capacity to meet contractual cash flows | Lifetime ECLs - not credit-impaired | 1.40%~ 12.72 % | 184,212 |
| In default | Tere is evidence indicating the asset is credit-impaired | Lifetime ECLs - credit-impaired | 20.46% | - |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written o | 100% | - |
| | | | | $ 496,790 |

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

| | Credit Rating | | |
|---|---|---|---|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit-impaired) | In default (Lifetime ECLs - Credit-impaired) |
| Balance at January 1,2019 | $ - | $ 12,798 | $ - |
| Derecognition（a） | - | ( 5,445 ) | - |
| Change in exchange rates or others | - | 1 | - |
| Balance at December 31,2019 | $ - | $ 7,354 | $ - |

| | Credit Rating | | |
|---|---|---|---|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit-impaired) | In default (Lifetime ECLs - Credit-impaired) |
| Balance at January 1, 2018 and December 31, 2018 | $ - | $ 12,798 | $ - |

(a). Investments in government bonds rated as doubtful at FVTOCI of $62,645 thousand were sold during 2019, respectively, with a consequential reduction in the loss allowance for investments rated as doubtful of $5,445 thousand , respectively.

**10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Notes receivable | | |
| At amortized cost | | |
| Gross carrying amount-operating | $ 2,440 | $ 9,003 |
| Less: Allowance for impairment loss | - | - |
| | $ 2,440 | $ 9,003 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 1,003,159 | $ 923,997 |
| Less: Allowance for impairment loss | ( 1,248 ) | ( 1,127 ) |
| | $ 1,001,911 | $ 922,870 |
| Other receivables | | |
| Tax refund receivable | $ 20,803 | $ 21,418 |
| Interest receivable | 6,931 | 7,859 |
| Others | 4,776 | 5,654 |
| | $ 32,510 | $ 34,931 |

(a)Notes receivable and trade receivable

The average cashing days of notes receivables was 30 to 60 days. The average credit period of sales of goods was 30 to150 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

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

December 31, 2019

| | Not Past Due |
|---|---|
| Expected credit loss rate | 0% |
| Gross carrying amount | $ 2,440 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | $ 2,440 |

December 31, 2018

| | Not Past Due |
|---|---|
| Expected credit loss rate | 0% |
| Gross carrying amount | $ 9,003 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | $ 9,003 |

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

December 31, 2019

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.01% | 6.05% | 4.44% | - | 20.75% | - |
| Gross carrying amount | $ 983,972 | $ 19,089 | $ 45 | $ - | $ 53 | $1,003,159 |
| Loss allowance (Lifetime ECLs) | ( 81 ) | ( 1,154) | (2) | - | ( 11) | ( 1,248) |
| Amortized cost | $983,891 | $ 17,935 | $ 43 | $ - | $ 42 | $1,001,911 |

December 31, 2018

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | - | 1.86% | - | - | - | - |
| Gross carrying amount | $863,326 | $ 60,671 | $ - | $ - | $ - | $ 923,997 |
| Loss allowance (Lifetime ECLs) | - | ( 1,127) | (2) | - | - | ( 1,127) |
| Amortized cost | $863,326 | $ 59,544 | $ - | $ - | $ - | $ 922,870 |

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

| | 2019 | 2018 |
|---|---|---|
| Balance at January 1 | $ 1,127 | $ 1,127 |
| Add: Net remeasurement of loss allowance | 250 | - |
| Less: Amounts written off | ( 128) | - |
| Effect of exchange rate changes | ( 1) | - |
| Balance at December 31 | $ 1,248 | $ 1,127 |

(b) Notes receivable and trade receivable

The accounts stated by the Group as other receivables are primarily the tax refund receivable and interest receivable. According to the Group's policy, it only trades with the counterparts with fair credit ratings. The Group would continue to follow up and consider the trading counterparts' past payment record and analyze their current financial position to assess whether there has been a significant increase in credit risk on the other receivables since initial recognition and to measure the expected credit loss. Until December 31, 2018, the expected credit loss ratio for the other receivables estimated by the Group has been 0%.

## 11. INVENTORIES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Commodity | $ 59,907 | $ 21,295 |
| Finished goods | 142,048 | 97,133 |
| Work in process | 85,569 | 103,562 |
| Raw materials and supplies | 91,767 | 95,256 |
| Inventory in transit | 42,831 | 39,385 |
| | $422,122 | $356,631 |

The cost of inventories recognized as cost of goods sold for the years ended December 31,2019 and 2018 was $2,576,616 thousand and $2,333,872 thousand, respectively. The cost of goods sold included inventory write-downs of $35,713 thousand and $7,881 thousand.

## 12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| | | | % of ownership | |
|---|---|---|---|---|
| Investor | Investee | Main business | December 31,2019 | December 31,2018 |
| M.J. International Co., Ltd. (“M.J. Group”) | Prolong International Co., Limited.(“Prolong HK”) | Investment holding | 100% (Remark 1) | 100% |
| | M.J. International Flooring And Interior Products Inc.(“M.J. Taiwan”) | Sale and processing of LVT floors | 100% | 100% |
| | Opulent International Group Limited(“Opulent”) | International trade | 100% | 100% |
| | Fullhouse Investments Limited. | Investment holding | 100% (Remark 2) | - |
| Fullhouse Investments Limited | Green Touch Floors Inc. | Sale of engineered wood floors, LVT floors decoration materials and construction materials. | 60% (Remark 3) | - |
| Prolong HK | Dongguan MeiJer Plastic Products Co., Ltd.(“M.J. Dongguan”) | Production and sale of tiles, decoration materials and construction materials, and investment holding. | 100% | 100% |
| | Dongguan Prolong Plastic Products Co., Ltd.(“Prolong Dongguan”) | Production and sale of tiles, decoration materials and construction materials, and investment holding. | 100% | 100% |
| M.J. Dongguan | Chongqing M.J. Architecture & Decoration Materials Co., Ltd.(“M.J. Chongqing”) | Sale of plastic tiles, decoration materials and construction materials. | 100% | 100% |
| | Guangzhou Promax Architecture & Decoration Materials Co., Ltd.(“M.J. Guangzhou”) | Sale of plastic tiles, decoration materials and construction materials. | 100% (Remark 4) | 100% |
| | Beijing M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Beijing”) | Sale of plastic tiles, decoration materials and construction materials. | 75% (Remark 5) | 100% |
| | Shanghai M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Shanghai”) | Sale of plastic tiles, decoration materials and construction materials. | 36% | 36% |
| | Wuhan M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Wuhan”) | Sale of plastic tiles, decoration materials and construction materials. | 100% | 100% |
| Prolong Dongguan | M.J. Shanghai | Sale of plastic tiles, decoration materials and construction materials. | 64% | 64% |
| | Xian M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Xian”) | Sale of plastic tiles, decoration materials and construction materials. | 100% | 100% (Remark 1) |
| | Shenyang M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Shenyang”) | Sale of plastic tiles, decoration materials and construction materials. | 100% (Remark 6) | 100% (Remark 6) |
| | Beijing M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Beijing”) | Sale of plastic tiles, decoration materials and construction materials. | 25% (Remark 5) | - |

Remark：

1) On November 8, 2018, the board of directors of the Group decided to increase

investment in Dongguan M.J. Dongguan through Prolong HK, In August 2019, the Group invested USD 3,000 thousand in Prolong HK, and Prolong HK invested M.J. Dongguan USD 3,100 thousand.

2) FULLHOUSE INVESTMENTS LIMITED was incorporation on November 2, 2018. The Group invested USD 1,295 thousand and USD436 thousand in April and September 2019. There is still USD 345 thousand as reserve, which has not been paid.

3) In April and October 2019, the Group acquired 45% and 15% of the equity of Green Touch Floors Inc. with USD1,295 thousand and USD431 thousand.

4) On May 9, 2019, upon resolution of the board of directors of the Group, M.J. Dongguan reduced its investment in M.J. Guangzhou by RMB 12,000 thousand, and received a refund of shares in August 2019.

5) On May 9, 2019, the board of directors of the group decided to increase its investment by Prolong Dongguan to M.J. Beijing for RMB 3,000 thousand. After the capital increase, the capital of M.J. Beijing was RMB 12,000 thousand.

6) M.J. Shenyang was established and registered on May 27, 2018, and remitted capital of RMB4,000, RMB500, and RMB200 in June, October, and November 2018, respectively; Remit RMB 50 thousand in 2019.

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in associates

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Associates that are not individually material | $ - | $ - |

In April 2019, the Group acquired a 45% of the equity of Green Touch Floors Inc. for US $ 1,295 thousand, which is using the equity method. As of December 31, 2019, the aforementioned price has not yet been paid for USD 259 thousand (TWD 8,037 thousand), and presented in other payables.

In October 2019, the Group acquired 15% equity of Green Touch Floors Inc. a total of 60% of the shares and accounting for two of the three seats on the board of directors, the Group determined that it controls Green Touch Floors Inc. and deems it a subsidiary. Remeasurement of the equity of Green Touch Floors Inc. based on the fair value at the acquisition date, resulting in a disposal benefit of NTD1,526 thousand (presented in other gain or loss) .

b. Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| The Group's share of: | | |
| Profit/(loss) from continuing operatio | $ 345 | $ - |
| Other comprehensive income (loss) | 419 | - |
| Total comprehensive income (loss) for the year | $ 764 | $ - |

## 14. Property, Plant and Equipment- Assets used by the Group

| | Land | Buildings | Machinery and equipment | Molding equipment | Transportation equipment | Office equipment | Other equipment | Property in Construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| Costs | | | | | | | | | |
| Balance at January 1, 2019 | $ 9,393 | $ 787,723 | $ 645,981 | $ 42,841 | $ 29,370 | $ 13,321 | $ 123,422 | $ 46,929 | $ 1,698,980 |
| Additions | 447,202 | 17,412 | 123,031 | 6,144 | 3,449 | 684 | 67,937 | 42,039 | 707,898 |
| Disposals | - | ( 368 ) | ( 8,797 ) | ( 3,124 ) | ( 448 ) | ( 279 ) | ( 28,468 ) | - | ( 41,484) |
| Transfers to investment properties(Note16) | - | ( 64,001 ) | - | - | - | - | - | - | ( 64,001 ) |
| Acquisitions through business combinations(Note 29) | - | - | - | - | - | 437 | 152 | - | 589 |
| Reclassified (remark) | - | 59,396 | 72,329 | - | - | - | 1,369 | ( 88,021 ) | 45,073 |
| Effect of exchange rate changes | - | ( 30,819 ) | ( 32,745 ) | ( 1,696 ) | ( 1,193 ) | ( 615 ) | ( 6,585 ) | 71 | ( 73,582 ) |
| Balance at December 31, 2019 | $ 456,595 | $ 769,343 | $ 799,799 | $ 44,165 | $ 31,178 | $ 13,548 | $ 157,827 | $ 1,018 | $ 2,273,473 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2019 | $ - | $ 192,662 | $ 382,086 | $ 34,030 | $ 19,150 | $ 8,616 | $ 73,105 | $ - | $ 709,649 |
| Disposals | - | ( 306 ) | ( 8,797) | ( 3,124 ) | ( 448 ) | ( 279 ) | ( 28,435 ) | - | ( 41,389 ) |
| Transfers to investment properties(Note16) | - | ( 14,134 ) | - | - | - | - | - | - | ( 14,134 ) |
| Depreciation expenses | - | 40,896 | 55,570 | 3,804 | 3,463 | 2,000 | 20,898 | - | 126,631 |
| Effect of exchange rate changes | - | ( 8,391 ) | ( 16,577 ) | ( 1,248 ) | ( 878 ) | ( 485 ) | ( 2,642 ) | - | ( 30,221 ) |
| Balance at December 31, 2019 | $ - | $ 210,727 | $ 412,282 | $ 33,462 | $ 21,287 | $ 9,852 | $ 62,926 | $ - | $ 750,536 |
| Carrying amounts at December 31, 2019 | $ 456,595 | $ 558,616 | $ 387,517 | $ 10,703 | $ 9,891 | $ 3,696 | $ 94,901 | $ 1,018 | $ 1,522,937 |
| Costs | | | | | | | | | |
| Balance at January 1, 2018 | $ 9,393 | $ 535,482 | $ 655,634 | $ 39,635 | $ 27,590 | $ 15,836 | $ 80,105 | $ - | $ 1,363,675 |
| Additions | - | - | 3,287 | 5,791 | 2,302 | 2,369 | 19,800 | 47,816 | 81,365 |
| Disposals | - | - | ( 2,476 ) | ( 1,766 ) | - | ( 4,762 ) | ( 1,689 ) | - | ( 10,693 ) |
| Reclassified (Remark) | - | 266,354 | 791 | - | - | - | 27,409 | - | 294,554 |
| Effect of exchange rate changes | - | ( 14,113 ) | ( 11,255 ) | ( 819 ) | ( 522 ) | ( 122 ) | ( 2,203 ) | ( 887 ) | ( 29,921 ) |
| Balance at December 31, 2018 | $ 9,393 | $ 787,723 | $ 645,981 | $ 42,841 | $ 29,370 | $ 13,321 | $ 123,422 | $ 46,929 | $ 1,698,980 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 162,295 | $ 338,407 | $ 32,661 | $ 15,891 | $ 11,632 | $ 66,611 | $ - | $ 627,497 |
| Disposals | - | - | ( 2,476 ) | ( 1,484 ) | - | ( 4,757 ) | ( 1,623 ) | - | ( 10,340 ) |
| Depreciation expenses | - | 33,731 | 52,796 | 3,515 | 3,602 | 1,831 | 9,454 | - | 104,929 |
| Effect of exchange rate changes | - | ( 3,364 ) | ( 6,641 ) | ( 662 ) | ( 343 ) | ( 90 ) | ( 1,337 ) | - | ( 12,437 ) |
| Balance at December 31, 2018 | $ - | $ 192,662 | $ 382,086 | $ 34,030 | $ 19,150 | $ 8,616 | $ 73,105 | $ - | $ 709,649 |
| Carrying amounts at December 31, 2018 | $ 9,393 | $ 595,061 | $ 263,895 | $ 8,811 | $ 10,220 | $ 4,705 | $ 50,317 | $ 46,929 | $ 989,331 |

Remark: Reclassified into the property, plant and equipment from the property in construction or the prepayments for purchase of property or equipment.

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

| | |
|---|---|
| Buildings | 5~55 years |
| Machinery and equipment | 2~10 years |
| Molding equipment | 2~5 years |
| Transportation equipment | 4~5 years |
| Office equipment | 3~5 years |
| Other equipment | 3~10 years |

There was no indication of impairment for the year ended December 31, 2019 and 2018.

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Land | $ 52,582 |
| Buildings | 18,130 |
| | $ 70,712 |

| | For the Year Ended December 31,2019 |
|---|---|
| Acquisitions through business combinations | $ 14,940 |

| | For the Year Ended December 31,2019 |
|---|---|
| Depreciation charge for right-of-use assets | |
| Land | $ 1,391 |
| Buildings | 3,766 |
| | $ 5,157 |

There was no indication of impairment for the year ended December 31, 2019。

b. Lease liabilities - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Current | $ 6,207 |
| Non-Current | $ 13,133 |

Range of discount rate for lease liabilities was as follows

| | December 31, 2019 |
|---|---|
| Buildings | 3.55%~5% |

c. Material lease-in activities and terms

The right-of-use assets include land use rights in mainland China. The lease term is 50 years. The Group has obtained the land use rights certificates issued by the government.

The Group also leases l buildings for the use of offices and dormitory with lease terms of 5 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

2019

| | For the Year Ended December 31,2019 |
|---|---|
| Expenses relating to short-term leases | $ 4,666 |
| Total cash outflow for leases | ($ 9,285) |

2018

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

| | December 31, 2018 |
|---|---|
| Not later than 1 year | $ 4,375 |
| Later than 1 year and not later than 5 years | 6,654 |
| | $ 11,029 |

## 16. INVESTMENT PROPERTIES

| | Buildings |
|---|---|
| Cost | |
| Balance at January 1, 2019 | $ - |
| Transfers from Property, Plant and Equipment（Note 14） | 64,001 |
| Effects of foreign currency exchange differences | ( 3,322 ) |
| Balance at December 31, 2019 | $ 60,679 |
| | |
| Accumulated depreciation | |
| Balance at January 1, 2019 | $ - |
| Transfers from Property, Plant and Equipment（Note 14） | 14,134 |
| Depreciation expenses | 1,582 |
| Effects of foreign currency exchange differences | ( 799 ) |
| Balance at December 31, 2019 | $ 14,917 |
| | |
| Carrying amounts at December 31, 2019 | $ 45,762 |

The investment properties were leased out for 2 years; the lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

| | December 31, 2019 |
|---|---|
| Year 1 | $ 3,558 |
| Year 2 | 2,075 |
| | $ 5,633 |

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20 Years |

The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

| | December 31, 2019 |
|---|---|
| Fair value | $ 48,243 |

There was no indication of impairment for the year ended December 31, 2019.

## 17. GOODWILL

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Cost | | |
| Balance at January 1 | $ - | $ - |

| | | |
|---|---|---|
| Additional amounts recognized from business combinations that occurred during the year (Note 29) | 9,106 | |
| Effect of foreign currency exchange differences | ( 311 ) | - |
| Balance at December 31 | $ 8,795 | $ - |

The goodwill recognized from business combinations.The Group acquired Green Touch Floors Inc. in October 2019. Due to the aquired transfer price exceed the fair value of assets and liabilities.

Management assessed that there was no significant impairment of goodwillfor the year ended December 31, 2019.

## 18. OTHER INTANGIBLE ASSETS

| | Patents | Software | Customer Relationship | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1,2019 | $ 967 | $ 4,337 | $ - | $ 5,304 |
| Additions | - | 438 | - | 438 |
| Acquisitions through business combinations (Note29） | - | - | 41,455 | 41,455 |
| Effect of foreign currency exchange differences | - | ( 104 ) | ( 1,416 ) | ( 1,520 ) |
| Balance at December 31,2019 | $ 967 | $ 4,671 | $ 40,039 | $ 45,677 |
| Accumulated amortization | | | | |
| Balance at January 1,2019 | ( $ 646 ) | ( $ 2,242 ) | $ - | ( $ 2,888 ) |
| Amortization expenses | ( 182 ) | ( 1,640 ) | ( 2,064 ) | ( 3,886 ) |
| Effect of foreign currency exchange differences | - | 99 | 62 | 161 |
| Balance at December 31,2019 | ( $ 828 ) | ( $ 3,783 ) | ( $ 2,002 ) | ( $ 6,613 ) |
| Carrying amounts at December 31,2019 | $ 139 | $ 888 | $ 38,037 | $ 39,064 |

| | Patents | Software | Customer Relationship | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1,2018 | $ 967 | $ 12,103 | $ - | $ 13,070 |
| Additions | - | 549 | - | 549 |
| Disposals | - | ( 8,469 ) | - | ( 8,469 ) |
| Effect of foreign currency exchange differences | - | 154 | - | 154 |
| Balance at December 31,2018 | $ 967 | $ 4,337 | $ - | $ 5,304 |
| Accumulated amortization | | | | |

(Continued)

| | | | | |
|---|---|---|---|---|
| Balance at January 1,2018 | ($ 464) | ($ 8,171) | $ - | ($ 8,635) |
| Amortization expenses | ( 182) | ( 2,462) | - | ( 2,644) |
| Disposals | - | 8,469 | - | 8,469 |
| Effect of foreign currency exchange differences | - | ( 78) | - | ( 78) |
| Balance at December 31,2018 | ($ 646) | ($ 2,242) | $ - | ($ 2,888) |
| Carrying amounts at December 31,2018 | $ 321 | $ 2,095 | $ - | $ 2,416 |

The customer relationship and goodwill recognized from business combinations that occurred in 2019.Please refer to Note 29 。

There was no indication of impairment for the year ended December 31, 2019 and 2018.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Patents | 5-10 Years |
| Software | 3-5 Years |
| Customer Relationship | 5 Years |

An analysis of depreciation by function：

| | For the Year Ended December 31 | |
|---|---|---|
| Selling and marketing expenses | $ 110 | $ 768 |
| General and administrative expenses | 3,776 | 1,876 |
| | $ 3,886 | $ 2,644 |

## 19. PREPAYMENTS FOR LEASES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current assets (included in other current assets-others) | $ - | $ 1,389 |
| Non-current assets | - | 54,761 |
| | $ - | $ 56,150 |

Prepaid lease payments include payments for land use rights for land located in mainland China. The lease term is 50 years The Group has obtained the land use right certificates.

Land use rights are classified as right-of-use assets according to IFRS 16. For reclassification and 2019 information, please refer to Note 3 and Note 15.

## 20. OTHER ASSETS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current | | |
| Offset Against Business Tax Payable | $ 83,720 | $ 66,733 |
| Others | 17,936 | 22,847 |
| | $ 101,656 | $ 89,580 |
| | | |
| Non-Currnt | | |
| Prepayments for equipment | $ 29,481 | $ 42,900 |
| Long-term prepayment | 11,581 | 24,207 |
| Refundable deposit (Remark) | 45,778 | 3,260 |
| Prepayments for property | - | 17,031 |
| | $ 86,840 | $ 87,398 |

Remark： Refundable deposit, of which 44,272 thousand is the deposit paid for the purchase of land from the Tainan Science and Technology Industry Bureau. According to the contract, if the user is completed according to the approved plan within 2 years, it will be returned without interest after the application.

## 21. BORROWINGS

Short-term borrowings

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Secured borrowings | | |
| Bank loans (Note 34) | $ 480,000 | $ 150,000 |
| | | |
| Unsecured borrowings | | |
| Line of credit borrowings | $ 464,000 | $ 324,000 |

As of December 31, 2019 and 2018, the interest rates for the secured bank loans were 0.93% and 0.90%, and the loans were secured by a part of the investment in debt instruments held by the Group. Refer to Note 34.

As of December 31, 2019 and 2018, the interest rates on the unsecured bank loans were 0.90%, respectively.

## 22. OTHER LIABILITIES

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current | | |
| Other payables | | |
| Payables for salaries and (bonusesincluding remuneration to employees and directors) | $ 84,856 | $ 72,055 |
| Payables for employee benefits | 38,304 | 34,593 |
| Payable for gas and oil expenses | 14,581 | 29,453 |
| Payable for repairs maintenance | 40,636 | 29,946 |

(Continued)

| | | |
|---|---|---|
| Payables for purchase of equipment(Note30) | 26,598 | 705 |
| Payable for freight | 10,810 | 18,218 |
| Payable for utility fees | 13,884 | 15,045 |
| Payable for royalty | 5,516 | 7,576 |
| Payable for commision | 4,536 | 3,042 |
| Payable for import/export expenses | 4,582 | 591 |
| Payable for service fees | 1,927 | 4,685 |
| Tax payable | 397 | 2,075 |
| Payable for investment (Note13,29 and 30) | 10,690 | - |
| Refund liability | 8,706 | 1,284 |
| Others | 52,564 | 49,717 |
| | $ 318,587 | $ 268,985 |

## 23. PROVISIONS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current | | |
| Warranties | $ 14,788 | $ 16,219 |

| | Warranties |
|---|---|
| Balance at January 1,2019 | $ 16,219 |
| Additional provisions recognized | 9,824 |
| Amount used | ( 10,899) |
| Effect of foreign currency exchange differences | ( 356) |
| Balance at December 31,2019 | $ 14,788 |

The reserve for liability of warranty represents the present value of the best estimate by the Group's management of the future outflow of economic benefits on the Group's warranty obligation. The estimate is based on historical experience in warranty and may vary as a result of the entry of new materials, altered manufacturing processes or other events affecting product quality.

## 24. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares authorized (in thousands) | 150,000 | 150,000 |
| Share authorized | $ 1,500,000 | $ 1,500,000 |
| Number of shares issued and fully paid (in thousands) | 66,059 | 66,059 |
| Share issued | $ 660,590 | $ 660,590 |

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

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) | | |
| Additional paid-in capital | $ 1,189,103 | $ 1,189,103 |
| Employee share bonus- additional paid-in capital | 9,599 | 9,599 |
| | $ 1,198,702 | $ 1,198,702 |
| May be used to offset a deficit only(2) | | |
| Employee share bonus- additional paid-in capital | $ 7,265 | $ 7,265 |

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
2) Such capital surplus doesn't have cash inflow and, therefore, may only be used to offset a deficit.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 5, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year in the periods in which the Company is listed, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, an appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. The bonus and dividend to shareholders may be distributed in cash or in the form of stock.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit in a fiscal year in the periods in which the Company is listed, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, an appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders'meeting for the distribution of dividends and bonuses to shareholders. The bonus and dividend to shareholders may be distributed in cash or in the form of stock, and the cash dividend to be distributed shall be no less than 10% of the total bonus and dividend distributed to the shareholders for the year. For the policy for distribution of remuneration to employees and directors under the Company's Articles, please see Note 26(7) for the remuneration to employees and directors.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 5, 2019 and June 5, 2018, respectively, as follows:

| | Appropriation of Earnings | |
|---|---|---|
| | For the Year Ended, December 31 | |
| | 2018 | 2017 |
| Legal reserve | $ 31,044 | $ 49,472 |
| Special reserve | $ 27,584 | $ 52,462 |
| Cash dividends | $ 198,177 | $ 396,354 |
| Cash dividends per share (NT$) | $ 3.00 | $ 6.00 |

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 5, 2020 was as follows:

| | For the Year Ended December 31,2019 |
|---|---|
| Legal reserve | $ 40,246 |
| Special reserve | $ 47,842 |
| Cash dividends | $ 270,842 |
| Cash dividends per share (NT$) | $ 4.1 |

The distribution of cash dividends had been resolved by the Company's board of directors, the appropriation of earnings is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 9, 2020.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | ($ 52,670) | ($ 52,462) |

| | 2019 | 2018 |
|---|---|---|
| Recognized for the year | | |
| Exchange differences on translating the financial statements of foreign operations | ( 85,875 ) | ( 208 ) |
| Share from associates accounted for using the equity method | 419 | - |
| Reclassification adjustments | | |
| Share from the disposal of associates accounted for using the equity method | ( 419 ) | - |
| Other comprehensive income recognized for the year | ( 85,875 ) | ( 208 ) |
| Balance at December 31 | ( $138,545 ) | ( $ 52,670 ) |

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | ( $ 27,376 ) | $ 19,732 |
| Recognized for the year | | |
| Unrealized gain/(loss) - debt instruments | 39,941 | ( 58,300 ) |
| Reclassification adjustments | | |
| Disposal of investments in debt instruments | ( 1,908 ) | 11,192 |
| Other comprehensive income recognized for the year | 38,033 | ( 47,108 ) |
| Balance at December 31 | $ 10,657 | ( $ 27,376 ) |

e. Non-controlling interests

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | $ - | $ - |
| Share in loss for the year | ( 131 ) | - |
| Other comprehensive income/(loss) during the year | | |
| Exchange differences on translating the financial statements of foreign entities | ( 839 ) | - |
| | ( 970 ) | - |
| Non-controlling interests arising from acquisition of subsidiaries (see Note 29) | 30,896 | - |
| Balance at December 31 | $ 29,926 | $ - |

## 25. REVENUE

a. Contract information- Revenue from the sale of goods

The Group engages in production and sale of LVT floors. In consideration of the products keeping innovative and drastic price fluctuation in the market, the discounts offered to few products are estimated based on the expected value within the range of discount offered in the past, while the other products are sold at the fixed price as agreed by contract.

b. Contract balances

| | December 31, 2019 | December 31, 2019 | January 1, 2018 |
|---|---|---|---|
| Note receivable (including related party) (Notes 10 and 33) | $ 3,205 | $ 9,428 | $ 24,551 |
| Trade receivable (including related party) (Notes 10 and 33) | $ 1,050,251 | $ 960,006 | $ 1,024,232 |
| Contract liabilities | | | |
| Sale of goods | $ 42,952 | $ 31,588 | $ 20,465 |

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| From contract liabilities at the start of the year | | |
| Sale of goods | $ 30,373 | $ 20,465 |

c. Disaggregation of revenue

Refer to Note 39 for information about the disaggregation of revenue.

## 26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Rental income | | |
| Investment properties | $ 1,632 | $ - |
| Interest income | | |
| Bank deposits | 5,961 | 5,745 |
| Financial assets at FVTPL | 4,045 | 2,967 |
| Investments in debt instruments at FVTOCI | 21,103 | 31,244 |
| | 31,109 | 39,956 |
| Government grants | - | 5,364 |
| | $ 32,741 | $ 45,320 |

b. Other gains and losses

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gain/(loss) on disposal of financial assets | | |
| Investments in debt instruments at FVTOCI | $ 1,908 | ($ 11,192) |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | 729 | 120 |
| Financial liabilities held for trading | - | ( 4) |
| Loss on disposal of property, plant and equipment | ( 95) | ( 91) |
| Gains on disposal of investments for using the equity method | 1,526 | - |
| Net foreign exchange gains/(losses) | ( 18,166) | 22,382 |
| Others | 5,394 | 5,123 |
| | ($ 8,704) | $ 16,338 |

c. Finance costs

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest on bank loans | $ 5,045 | $ 5,134 |
| Interest on lease liabilities | 435 | - |
| | $ 5,480 | $ 5,134 |

d. Depreciation and amortization

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| An analysis of depreciation by function | | |
| Operating costs | $ 94,033 | $ 77,598 |
| Operating expenses | 39,337 | 27,331 |
| | $ 133,370 | $ 104,929 |
| An analysis of amortization by function | | |
| Operating expenses | $ 3,886 | $ 2,644 |

e. Operating expenses directly related to investment properties

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Investment properties generating rental income | | |
| Depreciation | $ 1,582 | $ - |
| Others | 214 | - |
| | $ 1,796 | $ - |

f. Employee benefits expense

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Post-employment benefits | | |
| Defined contribution plan(see Note) | $ 20,161 | $ 19,900 |
| Other employee benefits | 430,965 | 368,363 |
| Total employee benefits expense | $ 451,126 | $ 388,263 |
| | | |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 285,884 | $ 243,306 |
| Operating expenses | 165,242 | 144,957 |
| | $ 451,126 | $ 388,263 |

M. J. Taiwan and Opulent Taiwan Branch of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiary in Mainland China are members of a state-managed retirement benefit plan operated by the government of Mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at rates of 1% to 6% and no higher than 5%, respectively, of net profit before income tax, employees'compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 5, 2019 and March 8, 2019, respectively, are as follows:：

Accrual rate

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Employees' compensation | 4.64% | 5.26% |
| Remuneration of directors | 3.86% | 4.38% |

Amount

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Employees' compensation | $ 23,194 | $ 18,319 |
| Remuneration of directors | 19,328 | 15,267 |

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Foreign exchange gains | $ 54,847 | $ 103,214 |
| Foreign exchange losses | ( 73,013 ) | ( 80,832 ) |
| Net gain (loss) | ($ 18,166 ) | $ 22,382 |

## 27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax | | |
| In respect of the current year | $ 106,933 | $ 71,063 |
| Income tax on unappropriated earnings | 570 | 1,100 |
| Adjustments for prior year | ( 5,479 ) | ( 6,101 ) |
| | 102,024 | 66,062 |
| Deferred tax | | |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | ( 648 ) |
| In respect of the current year | ( 46,674 ) | ( 61,147 ) |
| | ( 46,674 ) | ( 61,795 ) |
| Income tax expense (benefit) recognized in profit or loss | $ 55,350 | $ 4,267 |

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

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Profit before tax from continuing operations | $ 457,684 | $ 314,703 |
| Income tax expense calculated at the statutory rate | $ 93,435 | $ 62,138 |

| | 2019 | 2018 |
|---|---|---|
| Nondeductible expenses in determining taxable income | 6,469 | 8,244 |
| Deferred tax effect of earnings of subsidiaries | ( 45,056) | ( 62,241) |
| Income tax on unappropriated earnings | 570 | 1,100 |
| Unrecognized deductible temporary differences | 5,411 | 1,775 |
| Adjustments for prior years' tax | ( 5,479) | ( 6,101) |
| Effect of tax rate changes | - | ( 648) |
| Income tax expense recognized in profit or loss | $ 55,350 | $ 4,267 |

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Except M.J. Dongguan and M.J. Guangzhou, the tax rate applicable to subsidiaries in China is 25%. Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

M.J. Dongguan. is held qualified as a high and new tech enterprise pursuant to the Enterprise Income Tax Law of the People's Republic of China and Implementation Regulations thereof, and allowed to apply the preferential tax rate until 2022. Any company that is held qualified as a high and new tech enterprise pursuant to said Regulations and related tax revenue requirements is entitled to the preferential tax rate of 15%.

M.J. Guangzhou, in accordance with the Enterprise Income Tax Law of the People's Republic of China and Implementation Regulations meets the tax incentives for small and profit-making enterprises. The taxable income does not exceed RMB 1,000 thousand, and is reduced by 25% to the taxable income Corporate income tax is paid at a tax rate of 20%; for annual taxable income exceeding RMB 1,000 thousand but not exceeding RMB 3,000 thousand, 50% is deducted from the taxable income and corporate income tax is paid at a rate of 20%.

b. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax assets | | |
| Tax refund receivable | $ 639 | $ - |
| Current tax liabilities | | |
| Income tax payable | $ 63,340 | $ 18,363 |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Allowance for impairment loss | $ 146 | ($ 13) | $ - | $ 133 |
| Inventory obsolescence and valuation loss | 302 | - | - | 302 |
| Unrealized gain or loss on exchange | 88 | 184 | - | 272 |
| Provisions | 3,245 | ( 215) | ( 71) | 2,959 |
| Refund liabilities | 255 | 1,537 | ( 52) | 1,740 |
| | $ 4,036 | $ 1,493 | ($ 123) | $ 5,406 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized gain or loss on exchange | $ 759 | ($ 125) | ($ 14) | $ 620 |
| Investment income | 45,056 | ( 45,056) | - | - |
| Others | 8,691 | - | ( 346) | 8,345 |
| | $ 54,506 | ($ 45,181) | ($ 360) | $ 8,965 |

For the year ended December 31, 2019

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Allowance for impairment loss | $ 107 | $ 39 | $ - | $ 146 |
| Inventory obsolescence and valuation loss | 257 | 45 | - | 302 |
| Unrealized gain or loss on exchange | 147 | ( 59) | - | 88 |
| Provisions | 2,948 | 199 | 98 | 3,245 |
| Refund liabilities | 173 | 75 | 7 | 255 |
| | $ 3,632 | $ 299 | $ 105 | $ 4,036 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Unrealized gain or loss on exchange | $ - | $ 745 | $ 14 | $ 759 |
| Investment income | 107,297 | ( 62,241) | - | 45,056 |
| Others | 8,845 | - | ( 154) | 8,691 |
| | $ 116,142 | ($ 61,496) | ($ 140) | $ 54,506 |

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31,2019 | December 31,2018 |
|---|---|---|
| Inventory obsolescence and valuation loss | $ 58,850 | $ 25,625 |

e. Income tax assessments

As of December 31, 2019, the Group had no pending tax litigation cases. The subsidiary companies of the Group, M.J. Taiwan and the the Taiwan branch of Opulent, the income tax returns through 2017, have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

Unit: NT$ Per Share

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Basic earnings per share | | |
| From continuing operations | $ 6.09 | $ 4.70 |
| Diluted earnings per share | | |
| From continuing operations | $ 6.06 | $ 4.67 |

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

Net Profit for the Year

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Profit for the year attributable to owners of the Company | $ 402,465 | $ 310,436 |
| Earnings used in the computation of diluted earnings per share | $ 402,465 | $ 310,436 |

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

| | For the Year Ended, December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 66,059 | 66,059 |
| Effect of potentially dilutive ordinary shares | | |
| Employees' compensation or bonuses issued to employees | 389 | 403 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 66,448 | 66,462 |

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|---|---|---|---|---|
| Green Touch Floor Inc. | Sale of engineered wood floors, LVT floors decoration materials and construction materials. | Oct.1,2019 | 60% | $ 55,450 |

In order to accelerate the expansion of sales channels, the Group acquired 45% equity of Canadian channel distributor Green Touch Floors Inc. in April 2019 for USD 1,295 thousand, which is listed as an affiliated company that invests using the equity method. In October 2019, it acquired another 15% of the company's shares, holding a total of 60% of the shares and accounting for two of the three directors 'seats, so it has gained control.

b. Consideration transferred

| | Green Touch Floor Inc. |
|---|---|
| Cash | $ 13,395 |
| The equity previously held by the company at fair value on the date of acquisition | 42,055 |
| | $ 55,450 |

c. Assets acquired and liabilities assumed at the date of acquisition

| | Green Touch Floor Inc. |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 11,820 |
| Trade and other receivables | 24,907 |
| Current tax assets | 129 |
| Inventories | 35,586 |
| Others | 863 |
| Non-current assets | |
| Property, plant and equipment | 589 |
| Right-of-use assets | 14,940 |
| intangible assets | 41,455 |
| Others | 516 |
| Current liabilities | |
| Trade and other payables | ( 38,593 ) |
| Lease liabilities | ( 11,727 ) |
| Non-current liabilities | |
| Lease liabilities | ( 3,213 ) |
| Guarantee deposits | ( 32 ) |
| | $ 77,240 |

The assets and liabilities are recognized based on the purchase price allocation report of the acquired equity issued by the appraiser to reflect the facts and circumstances that existed on the acquisition date.

d. Non-controlling interests

The non-controlling interest recognized by shareshoders ownership interest to the value of identifiable net assets acquired and amounted to 30,986 thousand.

e. Goodwill recognized on acquisitions

| | Green Touch Floor Inc. |
|---|---|
| Consideration transferred | $ 55,450 |
| Plus: Non-controlling interests（40% in Green Touch Floor Inc.） | 30,896 |
| Less: Fair value of identifiable net assets acquired | ( 77,240 ) |
| Goodwill recognized on acquisitions | $ 9,106 |

The goodwill recognized in the acquisitions of Green Touch Floor Inc. mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development. These benefits are not recognized separately from goodw

The total amount of acquired goodwill is not tax-deductible.

f. Net cash outflow on the acquisition of subsidiaries

| | Green Touch Floor Inc. |
|---|---|
| Consideration paid in cash | $ 13,395 |
| Reserve（presented in other payables） | ( 2,653 ) |
| Less: Cash and cash equivalent balances acquired | ( 11,820 ) |
| | ( $ 1,078 ) |

g. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

| | Green Touch Floor Inc. |
|---|---|
| Revenue | $ 26,691 |
| Profit | $ 1,735 |

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been $3,572,590 thousand, and the profit would have been $404,745 thousand for the year ended December 31, 2019. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

## 30. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

1) As of December 31, 2019 and 2018, the Group purchased property, plant and equipment amounting to 26,598 thousand and 705 thousand have not been paid, presented in other payables.

2) Aquired investment using the equity method As of December 31, 2019, there are still 10,690 thousand has not been paid presented in other payables, please refer to notes 13, 22 and 29.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

| | Opening Balance | Cash Flows | Non-cash Changes Financial costs | Non-cash Changes Exchange Rate Change | Others（1） | Closing Balance |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 474,000 | $ 481,976 | $ - | ( $ 11,976 ) | $ - | $ 944,000 |
| Lease liabilities (Note 3) | 9,095 | ( 4,184 ) | 435 | ( 511 ) | 14,505 | 19,340 |
| Guarantee deposits received | - | 341 | - | ( 15 ) | 32 | 358 |
| | $ 483,095 | $ 478,133 | $ 435 | ( $ 12,502 ) | $ 14,537 | $ 963,698 |

1) Including the amount of interest paid for the lease liability 435 thousand and the lease liability aquired from the business combination of 14,940 thousand and a deposit of 32 thousand.

For the year ended December 31, 2018

| | Opening Balance | Cash Flow | Non-cash Changes Exchange Rate Change | Closing Balance |
|---|---|---|---|---|
| Short-term borrowings | $ 608,000 | ($ 147,786 ) | $ 13,786 | $ 474,000 |

## 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group can continue to operate, while optimizing debt and equity balances to maximize returns to stakeholders. The overall strategy of the Group remains consistent.

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

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

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

## 32. FINANCIAL INSTRUMENTS

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

The Group considers that the carrying amounts of fair value of financial assets/liabilities not measured at fair value at fair value are approximate their fair values.

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

1) Fair value hierarchy

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivatives - forward foreign exchange contract | $ - | $ 707 | $ - | $ 707 |
| Structured deposits | - | 335,977 | - | 335,977 |
| | $ - | $ 336,684 | $ - | $ 336,684 |
| Financial assets at FVTOCI | | | | |
| Investments in debt instruments foreign debt instruments | $ - | $ 379,418 | $ - | $ 379,418 |

December 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivatives - forward foreign exchange contract | $ - | $ 2,527 | $ - | $ 2,527 |
| Structured deposits | - | 55,942 | - | 55,942 |
| | $ - | $ 58,469 | $ - | $ 58,469 |
| Financial assets at FVTOCI | | | | |
| Investments in debt instruments foreign debt instruments | $ - | $ 455,795 | $ - | $ 455,795 |
| Financial liabilities at FVTPL | | | | |
| Derivatives - forward foreign exchange contract | $ - | $ 4 | $ - | $ 4 |

The Group assesses the bid-ask spread and trading volume of fixed-income securities to determine whether they are quoted prices in active markets. Therefore, the Company categorizes the measurement of fair value of investment in foreign debt instruments as Level 2. ◦ There were no transfers between Levels 1 and 2 in 2019 and2018.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

| Financial Instrument | Valuation Technique and Inputs |
|---|---|
| Derivatives - foreign exchange forward contracts | Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates and contractual forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Hybrid financial assets - tructured deposits | Discounted cash flow: Future cash flows are estimated based on the contractual rate of return. |
| Investment in foreign debt instruments | Measured at the quoted prices in active markets provided by third party service providers. |

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | $ 336,684 | $ 58,469 |
| Financial assets at amortized cost (1) | 1,391,741 | 1,652,286 |
| Financial assets at FVTOCI | | |
| Debt instruments | 379,418 | 455,795 |
| <u>Financial liabilities</u> | | |
| FVTPL | | |
| Held for trading | - | 4 |
| Amortized cost (2) | 1,491,344 | 1,100,227 |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable notes (including related parties), trade receivable (including related parties), other receivables (exclusive of receivable income tax refund), other financial assets and refundable deposits.
2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, payable accounts and other payables (exclusive of payable salary and bonus, payable accrued tax, payable pension and insurance premium)

d. Financial risk management objectives and policies

The Group’s major financial instruments include cash and cash equivalents, investment in debt instruments, structured deposits, derivatives-forward foreign exchange contract, notes receivable (including related parties), trade receivable

(including related parties),refundable deposits, trade payables, short-term borrowings and lease liabilities.
The financial risks over said financial instruments relating to operations include market risk (including foreign exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.
The Group's financial department reports to the management periodically. The management monitors risks and implement policies ex officio to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign currency risk

The Group engages in foreign currency-denominated sales and purchases, which expose the Company to the risk of foreign exchange rate changes. In order to manage the foreign exchange rate risk, insofar as it is permitted by policies, the Company primarily engages in net foreign exchange positions to produce the effect of natural hedging, and utilizes foreign exchange financial derivative instruments to help manage the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation), please see Note 37 and of the derivatives exposed to foreign currency risk at the end of the year , please see Note 7.

<u>Sensitivity analysis</u>
The Group is mainly exposed to the Currency USD and Currency NTD.
The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. [The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

| | Impact on USD | | Impact on NTD | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2019 | 2018 | 2019 | 2018 |
| Profit or loss | $ 992 | $ 1,681 | ($ 4,825) | ( $ 4,797 ) |

Primarily as a result of the Company's receivables, payables, short-term borrowing and on-balance-sheet forward foreign exchange contract stated as financial assets and liabilities at fair value through profit or loss denominated in USD or NTD which are still outstanding on the balance sheet date.

The Group's sensitivity to the US dollar exchange rate decreased during the year, which was mainly due to the decrease in the U.S. dollar net assets held; there has been no major change in the sensitivity to the New Taiwan dollar exchange rate during the year.

b) Interest rate risk

The Group is exposed to the risk of interest rate changes as a result of the Group's bank deposits, structured deposits, investment in debt instruments, other financial assets and bank borrowings bearing interest accruing at fixed interest rate and floating interest rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

| | December 31,2019 | December 31,2018 |
|---|---|---|
| Fair value interest rate risk | | |
| Financial assets | $ 453,015 | $ 683,496 |
| Financial liabilities | 963,340 | 474,000 |
| Cash flow interest rate risk | | |
| Financial assets | 524,810 | 491,104 |

<u>Sensitivity analysis</u>

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $5,248 thousand and $4,911 thousand, respectively, which was mainly a result of he group's exposure to the risk of interest rate changes on its bank deposits, structured deposits and investment in debt instruments at the floating interest rate.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable rate financial assets.

2) Credit risk

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

According to the Group's policy, the Group only trades with the counterparts with renowned goodwill, and would secure sufficient guarantee to mitigate the risk of financial loss to be caused by delinquent payment, if necessary. The Group rates its key customers based on the customers' credit data files created by it pursuant to the regulations governing customers' credit management, and other financial information accessible to the public and both parties' past trading record. The Group continues to monitor the exposure to credit risk and trading counterparts' credit ratings, and control the exposure to credit risk by the responsible supervisors' double check and the credit limit granted to the trading counterparts.

To minimize credit risk, the Group's management appoints the dedicated team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Meanwhile, the Group reviews the recoverable amount of each individual receivable account on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. Given this, the Group's management believes that the Group's credit risk should have been significantly reduced.

The Group's credit risk is concentrated on the key customers from which the annual sales revenue amounts to more than 10% of the Group's total revenue. Until December 31, 2019 and 2018, the total receivable accounts from said customers have accounted for 83% and 80% of the Group's total revenue.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As December 31, 2019 and 2018 the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2019

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|
| Non-derivative financial liabilities | | | |
| Non-interest bearing | $ 545,313 | $ 1,673 | $ 358 |
| Lease liabilities | 1,878 | 5,255 | 14,186 |
| Fixed interest rate liabilities | 944,722 | - | - |
| | $ 1,491,913 | $ 6,928 | $ 14,544 |

December 31, 2018

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|
| Non-derivative financial liabilities | | | |
| Non-interest bearing | $ 624,818 | $ 1,409 | $ - |
| Fixed interest rate liabilities | 474,511 | - | - |
| | $ 1,099,329 | $ 1,409 | $ - |

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group’s liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2018

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|---|---|
| Gross settled | | | |
| Foreign exchange forward contracts | | | |
| Inflows | $ 30,715 | $ - | $ - |
| Outflows | ( 30,719 ) | - | - |
| | ($ 4 ) | $ - | $ - |

c) Financing facilities

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Unsecured bank overdraft facilities | | |
| Amount used | $ 464,000 | $ 324,000 |
| Amount unused | 365,480 | 677,309 |
| | $ 829,480 | $ 1,001,309 |

| | | |
|---|---|---|
| Secured bank overdraft facilities | | |
| Amount used | $ 480,000 | $ 150,000 |
| Amount unused | 14,670 | 138,721 |
| | $ 494,670 | $ 288,721 |

## 33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Sing Cheng Lin Co., Ltd. (“Sing Cheng”) | Related party in substance |
| Fu Ming Corporate (“Fu Ming”) | Related party in substance |
| G.T Floor Co., LTD. (“G.T Floor”) | Related party in substance |
| Green Touch Floors Inc. (“GTF”) | Associate (before October 1, 2019) （Note 12） |

b. Sales of goods

| Line Item | Related Party Category | For the Year Ended December 31 | |
|---|---|---|---|
| | | 2019 | 2018 |
| Sales | Related party in substance | $ 184,638 | $ 173,843 |
| | Associate | 7,132 | - |
| | | $ 191,770 | $ 173,843 |

Since no identical transactions for the sale price are available for comparison, the price and terms were determined in accordance with mutual agreements. The payment terms were O/A 90 days. The payment terms applicable to transactions with non-related parties were T/T and OA 30~150 days.

c. Receivables from related parties

| Line Item | Related Party Category | For the Year Ended December 31 | |
|---|---|---|---|
| | | 2019 | 2018 |
| Notes receivable | Related party in substance | | |
| | Sing Cheng | $ 765 | $ 425 |
| Trade receivabie | Related party in substance | | |
| | Sing Cheng | $ 26,164 | $ 18,239 |
| | G.T Floor | 21,693 | 18,136 |
| | Fu Ming | 483 | 761 |
| | | $ 48,340 | $ 37,136 |

The outstanding receivables from related parties were unsecured. No allowance for loss/bad debt was provided for the receivables from related parties in 2019 and 2018.

d. Compensation of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Short-term employee benefits | $ 43,768 | $ 42,213 |
| Post-employment benefits | 604 | 468 |
| | $ 44,372 | $ 42,681 |

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings,

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | $ 284,666 | $ 264,497 |

## 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2019 and 2018 were as follows:

a. Significant unrecognized commitments

1) In order to meet the needs of operation and development and consider the needs of the enterprise for sustainable operation, the investment budget of the new factory in Tainan on December 17, 2019 by the resolution of the board of directors. It is expected to invest NT $ 1.663 billion, and authorize the chairman to handle all related matters on behalf of the company within the total budget. It is expected to select builders through public bidding, but as of this consolidated financial report the report passed the release date and no selection has been made.

2) Unrecognized commitments were as follows:

In Thousands of RMB

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Acquisition of property, plant and equipment | $ 9,925 | $ 32,284 |

## 36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of 2019 novel coronavirus pneumonia in January 2020 caused the temporarily suspended operation of the factories of Subsidiary located in Dongguan City, Guangdong Province, and other sales subsidiaries in mainland China. The subsidiary of

Dongguan City, Guangdong Province has resumed all work on February 24, 2020. As of the date of authorizing the issuance of the consolidated financial report, according to local government regulations and requirements, work has not been resumed and the epidemic situation cannot be assessed, so the Groups cannot reasonably estimate the extent of the impact.

**37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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

December 31, 2019

| | Foreign Currency (thousand) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 2,131 | 29.98(USD:NTD) | $ 63,889 |
| USD | 9,057 | 6.9762(USD:RMB) | 271,529 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| RMB | 14,103 | (remark) | 707 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 863 | 29.98(USD:NTD) | 25,898 |
| USD | 5,017 | 6.9762(USD:RMB) | 150,421 |
| NTD | 482,517 | 0.0334(NTD:USD) | 482,517 |

December 31, 2018

| | Foreign Currency (thousand) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 3,740 | 30.715(USD:NTD) | $ 114,866 |
| USD | 14,188 | 6.8632(USD:RMB) | 435,794 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| RMB | 58,988 | (remark) | 2,527 |

(Continued)

| | Foreign Currency (thousand) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 521 | 30.715(USD:NTD) | 15,988 |
| USD | 2,433 | 6.8632(USD:RMB) | 74,735 |
| NTD | 479,675 | 0.0326 (NTD:USD) | 479,675 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| RMB | 6,870 | (remark) | 4 |

Remark: The fair value of the forward foreign exchange contract computed based on the discounted cash flow.

The significant gains or losses on foreign exchange are stated as following:

For the years ended December 31, 2019 and 2018, net foreign exchange gains (losses) were ( 18,166) thousand and 22,382 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the entities in the Group.

## 38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (Table 4)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments (Note 7 and 32)

10) Intercompany relationships and significant intercompany transactions (Table 7)

11) Information on investees (Table 8)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

**39. SEGMENT INFORMATION**

a. Information about significant transactions and investees:

The units engaged in production and sale of LVT floors in various districts, each of which is considered a separate operating segment by the chief operating decision maker. For the purposes of financial statement presentation, these individual operating segments havebeen aggregated into a single operating segment, taking into account the following factors:

a) The nature of the products and production processes are similar.

b) The product pricing strategies are similar.

c) The methods used to distribute the products to the customers are the same.

b. Revenue from major products

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| LVT floors | $ 3,468,163 | $ 2,979,348 |

c. Geographical information

The Group operates in two principal geographical areas - Mainland China and Taiwan.

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

| | Revenue from External Customers | |
|---|---|---|
| | For the Year Ended December 31 | |
| | 2019 | 2018 |
| Europe | $ 2,054,357 | $ 1,492,620 |
| North America | 525,524 | 649,099 |
| Mainland China | 415,128 | 336,820 |
| Taiwan | 212,482 | 213,548 |
| Others | 260,672 | 287,261 |
| | $ 3,468,163 | $ 2,979,348 |

| | Non-current Assets | |
|---|---|---|
| | For the Year Ended December 31 | |
| | 2019 | 2018 |
| Mainland China and Hong Kong | $ 1,201,221 | $ 1,111,757 |
| Taiwan | 465,986 | 18,889 |
| Others | 61,125 | - |
| | $ 1,728,332 | $ 1,130,646 |

Non-current assets above exclude deferred tax assets, financial instruments and refundable deposits.

c. Information about major customers

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Group P | $ 2,199,857 | $ 1,656,428 |

TABLE1

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**FINANCING PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (1) | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount (3) | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (2) | Aggregate Financing Limit (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | M.J. Group | Opulent | Other receivable -related party | Yes | $ 179,880 ( USD 6,000 ) | $ - | $ - | 2% | Short-term financing | $ - | Operating capital | $ | - | - | $ 1,036,752 | $ 1,036,752 |
| 1 | Prolong Dongguan | M.J. Shanghai | Other receivable - related party | Yes | 197,685 ( RMB 46,000 ) | 163,305 ( RMB 38,000 ) | 163,305 ( RMB 38,000 ) | 3%~ 3.5% | Short-term financing | - | Operating capital | | - | - | 318,810 | 531,350 |
| | | M.J. Beijing | Other receivable - related party | Yes | 17,190 ( RMB 4,000 ) | - | - | 3.5% | Short-term financing | - | Operating capital | | - | - | 318,810 | 531,350 |
| 2 | M.J. Dongguan | M.J. Shanghai | Other receivable - related party | Yes | 128,925 ( RMB 30,000 ) | 25,785 ( RMB 6,000 ) | - | 3%~ 3.5% | Short-term financing | - | Operating capital | | - | - | 687,551 | 1,145,918 |
| 3 | M.J. Guangzhou | M.J. Shanghai | Other receivable - related party | Yes | 42,975 ( RMB 10,000 ) | - | - | 3.5% | Short-term financing | - | Operating capital | | - | - | 21,551 | 35,919 |
| 4 | M.J. Taiwan | Opulent (5) | Other receivable - related party | Yes | 66,240 ( USD 2,200 ) | 66,240 ( USD 2,200 ) | 66,240 ( USD 2,200 ) | 3% | Short-term financing | - | Operating capital | | - | - | 86,345 | 143,909 |
| 5 | Opulent | M.J. Taiwan | Other receivable - related party | Yes | 200,000 | 200,000 | - | 1% | Short-term financing | - | Operating capital | | - | - | 448,409 | 747,349 |

Note1： No

(1) The parent company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2： (1) The total amount available for lending purpose shall not exceed 40% of the net worth of the Company’s most recent financial statements audited, certified or reviewed by the independent external auditors.

(2) A single financing, if any, should not exceed the amount of purchases or sales between the financing company and trading counterpart for the most recent year or in the current year until the financing is provided, whichever is higher. A single short-term financing, if any, should not exceed 40% of the net worth of the Company’s most recent financial statements audited, certified or reviewed by the independent external auditors.

(3) In the case of overseas subsidiaries wholly-owned directly or indirectly by the Company (not incorporated or registered in Taiwan), the financing provided to others shall not exceed 60% of the net worth of the financing company’s most recent financial statements.

Note 3： Intercompany balances and transactions were eliminated upon consolidation.

Note 4： The interest income of financing provided were Prolong Dongguan NT$3,911 thousand NT$1,057 thousand for M.J. Dongguan, NT$326 thousand for M.J. Guangzhou, and NT$1,518 thousand for M.J. Taiwan.

Note 5： The object of actual mobilization amount is the Taiwan branch of Opulent.

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Endorser/ Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship (Note 2) | | | | | | | | | | |
| 0 | M.J. Group | Opulent | (2) | $ 3,887,820 | $ 1,923,970 | $ 1,834,030 | $ 464,000 | N/A | 71% | $7,775,640 | Yes | No | No |
| | | M.J. Taiwan | (2) | 3,887,820 | 2,702,000 | 2,702,000 | - | N/A | 104% | 7,775,640 | Yes | No | No |
| 1 | Opulent | M.J. Dongguan | (3) | 3,887,820 | 44,250 | 44,250 | 44,250 (Note 5) | 44,970 (Note 6) | 2% | 7,775,640 | No | No | Yes |
| | | Prolong Dongguan | (3) | 3,887,820 | 44,250 | 44,250 | 44,250 (Note 5) | 44,970 (Noter 6) | 2% | 7,775,640 | No | No | Yes |
| | | M.J. Taiwan | (3) | 3,887,820 | 679,680 | 679,680 | 480,000 | 167,888 (Noter 6) | 26% | 7,775,640 | No | No | No |
| 2 | M.J. Taiwan | Opulent | (3) | 3,887,820 | 200,000 | 200,000 | - | N/A | 8% | 7,775,640 | No | No | No |

Note1:

(1) The parent company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relationship between the endorsement/guarantee provider and the endorsed/guaranteed party may be categorized into the following 7 types:

(1) A company with which the Company does business.

(2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company holding more than 50 percent of the voting shares of the Company directly and indirectly.

(4) A company in which the Company directly and indirectly holds more than 90 percent of the voting shares.

(5) Where the Company 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) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: (1) The total endorsement/guarantee provided by the Company for others shall be no more than 300% of the net worth of the Company’s most recent financial statements. The total endorsement/guarantee provided by the Company and its subsidiaries for others shall be no more than 300% of the net worth of the Company’s most recent financial statements.

(2) The total endorsement/guarantee provided by the Company and its subsidiaries to any individual entity shall not exceed 40% of the net worth of the Company’s most recent financial statements. Notwithstanding, the total endorsement/guarantee provided for the company’s wholly holding the voting shares of the Company directly and indirectly, or among the companies in which the Company wholly hold the voting shares directly or indirectly shall be no more than 150% of the net worth of the Company’s most recent financial statements.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note5：The bank issued a guarantee letter of credit as a guarantee for purchase advance payment.

Note6：It is guaranteed by the bonds held by Opulent.

TABLE3

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities (Note1) | Relationship with the Holding Company(Note2) | Financial Statement Account | December 31, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount (Note 3) | Percentage of Ownership (%) | Fair Value | |
| Opulent | Banco Santander S.A. 5.179% 11/19/2025 DTD 11/19/2015 | — | Financial assets at fair value through other comprehensive income – Current | - | $ 33,585 | - | $ 33,585 | Stand By L/C or Pledged borrowings |
| | Huarong Finance II Co., LTD. 5.5% 01/16/2025 DTD 01/16/2015 | — | 〃 | - | 33,047 | - | 33,047 | 〃 |
| | Credit Agricole S.A. London Branch 4.125% 01/10/2027 DTD 01/10/2017 | — | 〃 | - | 32,429 | - | 32,429 | 〃 |
| | Societe Generale S.A. 4% 01/12/2027 DTD 01/12/2017 | — | 〃 | - | 31,901 | - | 31,901 | 〃 |
| | Petroleos Mexicanos 4.5% 01/23/2026 DTD 03/22/2016 | — | 〃 | - | 29,968 | - | 29,968 | 〃 |
| | Huarong Finance II Co., LTD. 3.625% 11/22/2021 DTD 11/22/2016 | — | 〃 | - | 60,814 | - | 60,814 | 〃 |
| | Banque Ouset Africaine de Developpement 5.0% 07/27/2027 DTD 07/27/2017 | — | 〃 | - | 31,854 | - | 31,854 | 〃 |
| | Republic Of South Africa 4.85% 09/27/2027 DTD 09/27/2017 | — | 〃 | - | 31,068 | - | 31,068 | 〃 |
| | Barminco Finance PTY Limited 6.625% 5/15/2022 DTD 5/15/2017 | — | 〃 | - | 6,163 | - | 6,163 | Note 4 |
| | Golden Legacy Pte. Ltd. 6.875% 3/27/2024 DTD 3/27/2017 | — | 〃 | - | 6,177 | - | 6,177 | 〃 |
| | Indika Energy Capital III Pte-Anleihe 5.875% 11/9/2024 DTD 11/9/2017 | — | 〃 | - | 5,791 | - | 5,791 | 〃 |
| | Yestar Healthcare Holdings Company Limited 6.90% 9/15/2021 DTD 9/15/2016 | — | 〃 | - | 4,348 | - | 4,348 | 〃 |
| | Yuzhou Properties Company Limited 6.00% 1/25/2022 DTD 1/25/2017 | — | 〃 | - | 6,031 | - | 6,031 | 〃 |

(To be continued)

(Brought forward)

| Holding Company Name | Type and Name of Marketable Securities (Note1) | Relationship with the Holding Company(Note2) | Financial Statement Account | December 31, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Holding Company Name | China Evergrande Group 8.750% 6/28/2025 DTD 6/28/2017 | — | Financial assets at fair value through other comprehensive income – Current | - | $ 5,160 | - | $ 5,160 | Note 4 |
| | Zhongrong International Resources Co., Ltd 7.250% 10/26/2020 DTD 10/26/2017 | — | 〃 | - | 2,688 | - | 2,688 | 〃 |
| | Jiuding Group Finance 6.5% 7/25/2020 DTD 7/25/2017 | — | 〃 | - | 5,639 | - | 5,639 | 〃 |
| | Yango Justice International Limited 7.500% 11/16/2020 DTD 11/16/2017 | — | 〃 | - | 5,967 | - | 5,967 | 〃 |
| | Wuhan Dangdai Science & Technology Industries Group, 7.25% 11/20/2020 DTD 11/20/2017 | — | 〃 | - | 5,697 | - | 5,697 | 〃 |
| | Times Property Holdings Limited 6.600% 3/2/2023 DTD 11/30/2017 | — | 〃 | - | 6,081 | - | 6,081 | 〃 |
| | Logan Property Holdings Company Limited 6.375%03/07/2021 DTD 03/07/2018 | — | 〃 | - | 6,107 | - | 6,107 | 〃 |
| | | | | | $ 350,515 | | $ 350,515 | |
| | Softbank Group Corp 6.875% Perpetual DTD 7/19/2017 | — | Financial assets at fair value through other comprehensive income – Non Current | - | $ 5,798 | - | $ 5,798 | Note 4 |
| | RKP Overseas Finance 2016 (A) Limited 7.95% Perpetual DTD 2/17/2017 | — | 〃 | - | 5,751 | - | 5,751 | 〃 |
| | China Grand Automotive Services 5.625% Perpetual DTD 10/30/2017 | — | 〃 | - | 4,456 | - | 4,456 | 〃 |
| | HSBC Holdings PLC, 6% Perpetual DTD 5/22/2017 | — | 〃 | - | 6,426 | - | 6,426 | 〃 |
| | Standard Chartered PLC 7.5% Perpetual DTD 8/18/2016 | — | 〃 | - | 6,472 | - | 6,472 | 〃 |
| | | | | | $ 28,903 | | $ 28,903 | |

Note 1: The marketable securities referred to herein shall mean the stocks, bonds, beneficiary certificates and securities derivative from said instruments falling in the scope under IFRS 9 “Financial Instruments”.

Note 2: The securities issuer is not a related party.

Note 3: The balance of carrying amount at fair value upon adjustment.

Note 4: The securities as listed are not provided as security or pledge/mortgage for borrowings, or restricted according to any other agreements.

**TABLE4**

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| M.J. Taiwan | Land | 2019/11/7 | $ 442,723 | Paid in full | MOEA（IDB） | None | N/A | N/A | N/A | N/A | N/A | Manufacturing purpose | None |
| | Construction of plant and acquire equipments | 2019/12/17 | Note1 | Note1 | Note2 | Note2 | N/A | N/A | N/A | N/A | N/A | Manufacturing purpose | None |

Note1：In order to meet the needs of operation and development and consider the needs of the enterprise for sustainable operation, the investment budget of the new factory in Tainan on December 17, 2019 by the resolution of the board of directors. It is expected to invest NT $ 1.663 billion, and authorize the chairman to handle all related matters on behalf of the company within the total budget.

Note2：It is expected to select builders through public bidding, but as of this consolidated financial report the report passed the release date and no selection has been made.

TABLE5

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Trade Receivable (Payables) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/(sale) | Amount (Note1) | % to total purchase (sale) | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note1) | % to Total (Note2) | |
| Opulent | M.J. Taiwan | Associate | (Sale) | ( $ 160,422 ) | ( 5% ) | 120 days after monthly closing days | $ - | - | $ 25,294 | 2% | Note5 |
| | M.J. Dongguan | Associate | (Sale) | ( 231,805 ) | ( 7% ) | 120 days after monthly closing days | - | - | 137,760 | 12% | 〃 |
| | M.J. Dongguan | Associate | Purchase | 1,458,577 | 53% | 120 days after monthly closing days | - | - | ( 167,428 ) | ( 51% ) | 〃 |
| | Prolong Dongguan | Associate | (Sale) | ( 128,010 ) | ( 4% ) | 120 days after monthly closing days | - | - | 12,661 | 1% | 〃 |
| | Prolong Dongguan | Associate | Purchase | 938,735 | 34% | 120 days after monthly closing days | - | - | ( 104,033 ) | ( 32% ) | 〃 |
| M.J. Dongguan | Opulent | Associate | (Sale) | ( 1,458,577 ) | ( 81% ) | 120 days after monthly closing days | - | - | 167,428 | 78% | Note5 |
| | | Associate | Purchase | 231,805 | 21% | 120 days after monthly closing days | - | - | ( 137,760 ) | ( 44% ) | Note3 and 5 |
| Prolong Dongguan | Opulent | Associate | (Sale) | ( 938,735 ) | ( 98% ) | 120 days after monthly closing days | - | - | 104,033 | 95% | Note4 and 5 |
| | | | Purchase | 128,010 | 21% | 120 days after monthly closing days | - | - | ( 12,661 ) | ( 12% ) | Note5 |
| M.J. Taiwan | Opulent | Associate | Purchase | 160,422 | 99% | 120 days after monthly closing days | - | - | ( 25,294 ) | ( 100% ) | Note5 |

Note1: Intercompany balances and transactions were eliminated upon consolidation.

Note2: Computed based on the amount or balance of the transactions with each seller and purchaser.

Note3: Unrealizes gain on transations is 2,287 thousand.

Note4: Unrealizes gain on transations is 621 thousand.

Note5: The transaction price is determined by the method of cost markup.

**TABLE6**

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance (Note 1) | Turnover Rate | Overdue | | Amount Received in Subsequent Period (Note2) | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| M.J. Dongguan | Opulent | Associate | Trade Receivable $ 167,428 | 8.26 | $ - | — | $ 167,428 | $ - |
| Prolong Dongguan | Opulent | Associate | Trade Receivable 104,033 | 5.31 | - | — | 104,033 | - |
| | M.J. Shanghai | Associate | Other receivables 164,122 （Note3） | - | - | — | - | - |
| Opulent | M.J. Dongguan | Associate | Trade Receivable 137,760 | 2.36 | - | — | 107,999 | - |

Note 1: Intercompany balances and transactions were eliminated upon consolidation.

Note 2: The amount received in the subsequent period means that the collection was made by March 5, 2020.

Note 3: The amount bears interest receivable 817 thousand..

TABLE7

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Company Name | Related Party | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Account | Amount (Notes 4) | PaymrentTerms | Percentage of Consolidated Total Gross Sales or Total Assets (Note 3) |
| 0 | M.J. Group | Opulent | (1) | endorsement/guarantee | $ 1,834,030 | — | 42% |
| | | M.J. Taiwan | (1) | endorsement/guarantee | 2,702,000 | — | 62% |
| | | Prolong HK | (1) | Investments Accounted for Using Equity Method | 92,310 | — | 2% |
| | | Fullhouse Investments Limited. | (1) | Investments Accounted for Using Equity Method | 53,606 | — | 1% |
| 1 | Opulent | M.J. Group | (2) | Surplus repatriation | 328,110 | — | 7% |
| | | M.J. Dongguan | (3) | endorsement/guarantee | 44,250 | — | 1% |
| | | M.J. Dongguan | (3) | Sales | 231,805 | the selling price based on the cost,120 days after monthly closing days | 7% |
| | | M.J. Dongguan | (3) | Trade receivable | 137,760 | — | 3% |
| | | Prolong Dongguan | (3) | endorsement/guarantee | 44,250 | — | 1% |
| | | Prolong Dongguan | (3) | Sales | 128,010 | the selling price based on the cost,120 days after monthly closing days | 4% |
| | | Prolong Dongguan | (3) | Trade receivable | 12,661 | — | - |
| | | M.J. Taiwan | (3) | endorsement/guarantee | 679,680 | | 15% |
| | | M.J. Taiwan | (3) | Sales | 160,422 | the selling price based on the cost,120 days after monthly closing days | 5% |
| | | M.J. Taiwan | (3) | Trade receivable | 25,294 | — | 1% |
| 2 | M.J. Dongguan | Opulent | (3) | Sales | 1,458,577 | the selling price based on the cost,120 days after monthly closing days | 42% |
| | | Opulent | (3) | Trade receivable | 167,428 | — | 4% |
| | | M.J. Guangzhou | (3) | Refund of shares | 52,663 | — | 1% |
| 3 | Prolong Dongguan | Opulent | (3) | Sales | 938,735 | the selling price based on the cost,120 days after monthly closing days | 27% |
| | | Opulent | (3) | Trade receivable | 104,033 | — | 2% |
| | | M.J. Shanghai | (3) | Other receivables | 164,122 | Financing (including interest receivable) | 4% |
| | | M.J. Beijing | (3) | Investments Accounted for Using Equity Method | 13,166 | — | - |
| 4 | M.J. Taiwan | Opulent | (3) | Other receivables | 66,240 | Financing (including interest receivable) | 2% |
| | | Opulent | (3) | endorsement/guarantee | 200,000 | — | 5% |
| 5 | Prolong HK | M.J. Dongguan | (3) | Investments Accounted for Using Equity Method | 96,224 | — | 2% |
| 6 | Fullhouse Investments Limited. | Green Touch Floors Inc. | (3) | Investments Accounted for Using Equity Method | 53,521 | — | 1% |

The business relationship between the parent and the subsidiaries:

M. J. International Co., Ltd, Prolong HK and Fullhouse Investments Limited.are primarily engaged in investment holding.

Opulent is primarily engaged in international trading.

M.J. Dongguan and Prolong Dongguan are primarily engaged in processing, production and sale of tiles, decoration materials and new construction materials as well as investment holding.

M.J. Taiwan, M.J. Chongqing, M. J. Guangzhou, M.J. Beijing, M. J. Shanghai, M.J. Wuhan, M.J.Xian and M.J. Shenyang are primarily engaged in sale of construction and decoration materials.

Green Touch Floors Inc. is engaged in sale of engineered wood floors, LVT floors decoration materials and construction materials.

Note 1: The information about transactions between the parent and the subsidiaries shall be noted in the following manners:

(1) 0 stands for the parent company.

(2) The subsidiaries shall be numbered from 1 in Arabic numeral sequentially by the company.

Note 2: The relationship with the trader may be categorized into the following 3 types. The schedule only discloses the information about unilateral transactions, which were already consolidated and written off when the consolidated financial statements were preparing.

(1) Parent company vs. subsidiary

(2) Subsidiary vs. parent company

(3) Subsidiary vs. subsidiary

Note 3: The percentage of the amount of transaction to the consolidated total operating revenue or total assets shall be computed as the ending balance to the consolidated total assets, in the case of assets and liabilities, or as the interim accumulated amount to the consolidated total operating revenue, in the case of profit or loss.

Note 4： Intercompany balances and transactions were eliminated upon consolidation.

TABLE 8

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**INFORMATION ON INVESTEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 4) | | As of December 31, 2019 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2019 | December 31, 2018 | Number of Shares (In Thousands) | % | Carrying Amount | | | |
| M.J. Group | Prolong HK | Hong Kong | Investment holding | $ 373,551 (USD 12,460) | $ 290,564 (USD 9,460) | - | 100 | $ 1,675,456 | $ 48,564 | $ 48,564 | 1 and 2 |
| | Opulent | Hong Kong | International trading | 260,826 (USD 8,700) | 267,221 (USD 8,700) | 8,700 | 100 | 746,662 | 325,043 | 324,356 | 1 and 2 |
| | M.J. Taiwan | Taiwan | Sale and processing of plastic tiles, decoration materials and construction materials. | 38,000 | 38,000 | 5 | 100 | 143,909 | 6,187 | 6,187 | 1 and 2 |
| | Fullhouse Investments Limited. | Samoa | Investment holding | 51,902 (USD 1,731) | - (Note 5) | - | 100 | 54,142 | 1,630 | 1,630 | 1 and 2 |
| Fullhouse Investments Limited. | Green Touch Floors Inc. | Canada | Sale of engineered wood floors, LVT floors decoration materials and construction materials. | 51,750 (USD 1,726) | - (Note 6) | 60 (Note 6) | 60 (Note 6) | 53,685 | 4,491 | 147 | 1 and 2 |

Note 1: The related investment income shall be recognized based on the investees' financial statements ended for the same periods.

Note 2: Intercompany balances and transactions were eliminated upon consolidation.

Note 3: Refer to Table 9 for information on investment in mainland China.

Note 4: In the case of investment denominated in foreign currency, it shall be translated based on the foreign exchange rate on the balance sheet date.

Note 5: FULLHOUSE INVESTMENTS LIMITED was founded and registered on November 2, 2018, and M.J. Group has injected a capital in April and September.2019.

Note 6: In April and October 2019, the Group acquired 45% and 15% of the equity of Green Touch Floors Inc. Please refer to note 12.

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**INFORMATION ON INVESTEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company | Main Businesses and Products | Paid-in Capital Note (6) | Method of Investment Note (1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | % Ownership of Direct or Indirect Investment | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note(2)(b)(2)) and Note(3) | Carrying Amount as of December 31, 2019 Note (3) and (5) | Accumulated Repatriation of Investment Income as of December 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | |
| M.J. Dongguan | Production and sale of tiles, decoration materials and construction materials, and investment holding. | $ 907,512 ( USD 30,271 ) Note (7) | (b) (1) | $ - | $ | $ | $ - | 100 | $ 41,266 | $ 40,788 | $ 1,143,692 | $ - |
| Prolong Dongguan | Production and sale of tiles, decoration materials and construction materials, and investment holding. | 302,293 ( HKD 78,538 ) | (b) (1) | - | | | - | 100 | 6,764 | 7,029 | 530,744 | - |
| M.J. Chongqing | Sale of plastic tiles, decoration materials and construction materials. | 34,380 ( RMB 8,000 ) | (b) (2) | - | | | - | 100 | 595 | 595 | 17,129 | - |
| M.J. Beijing and | Sale of plastic tiles, decoration materials and construction materials | 51,570 ( RMB 12,000 ) Note (7) | (b) (2) | - | | | - | 100 | ( 3,902 | ( 3,902 ) | 18,682 | - |
| M. J. Shanghai | Sale of plastic tiles, decoration materials and construction materials | 201,983 (RMB 47,000 ) | (b) (2) | - | | | - | 100 | ( 11,211 | ( 11,211 ) | 129,170 | - |
| M. J. Guangzhou | Sale of plastic tiles, decoration materials and construction materials | 12,893 ( RMB 3,000 ) Note (7) | (b) (2) | - | | | - | 100 | 8,328 | 8,328 | 35,919 | - |
| M.J. Wuhan | Sale of plastic tiles, decoration materials and construction materials | 47,273 ( RMB 11,000 ) | (b) (2) | - | | | - | 100 | ( 498 | ( 498 ) | 38,766 | - |
| M.J.Xian | Sale of plastic tiles, decoration materials and construction materials | 21,488 ( RMB 5,000 ) | (b) (2) | - | | | - | 100 | ( 875 | ( 875 ) | 19,714 | - |
| M.J. Shenyang | Sale of plastic tiles, decoration materials and construction materials | 20,413 ( RMB 4,750 ) Note (7) | (b) (2) | - | | | - | 100 | ( 2,455 | ( 2,455 ) | 17,706 | - |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|---|---|---|
| Note(4) | Note(4) | Note(4) |

Note 1: The mode of investment is categorized into the following three types:

(a) Direct investment in companies in the territories of mainland China.

(b) Through investing in an existing company in the third area, which then investing in the investee in Mainland China.

(1) Investment in companies in mainland China via the company in a third territory (Prolong International Company Limited).

(2) Investment in companies in mainland China via M.J. Dongguan and Prolong Dongguan reinvested by the company in a third territory (Prolong International Company Limited).

(c) Other modes.

Note 2: In the recognized current investment income section:

(a) To be noted, if it is under preparation and no investment income has generated therefor.

(b) The basis for recognition of investment income may be categorized into the following three types. Please identify it.

(1) Financial statements audited by the international CPA firm which enters into cooperative relationship with any R.O.C. CPA firm.

(2) Financial statement audited by the independent external auditor of the parent company in Taiwan.

(3) Others.

Note 3: Intercompany balances and transactions were eliminated upon consolidation.

Note 4: Not applicable, as the Company is not a company incorporated in the R.O.C.

Note 5: Including the unrealized income from side-stream transactions.

Note 6: Translated based on the foreign exchange rate on the balance sheet date.

Note7： Changes in paid-in capital are mainly due to capital increase and capital reduction. Please refer to Note 12.

Any significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please see Table 5.
2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 5.
3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, balance at the end of period, interest rate range, and total current period interest with respect to financing of funds: See Table 1.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or acceptance of services: None.