



M.J. International Co., Ltd.

2020 Annual Report

Website

MOPS: <http://mops.twse.com.tw>

The Company's website: <http://www.mjig.com>

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- (II) Subsidiary in Taiwan
 Name: M.J.International Flooring and Interior Telephone: (886)2-2268-4666
 Products Inc
 Address: No. 126, Da Nuan Rd., Tucheng District, New Taipei City
- (III) Subsidiary in Hong Kong
 Name: Prolong International Co., Limited Telephone: (886)2-2268-4666
 Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
 Name: Opulent International Group Limited Telephone: (886)2-2268-4666
 Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
- (IV) Taiwan Branch of Hong Kong Subsidiary
 Name: Opulent International Group Limited Telephone: (886)2-2268-4666
 Taiwan Branch
 Address: No. 126, Da Nuan Rd., Tucheng District, New Taipei City
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 Name: Chongqing M.J. Architecture & Telephone: (86)023-6361-1600
 Decoration Material Co. Ltd.
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 Name: Shanghai M.J. Architecture & Decoration Telephone: (86)021-64828022
 Material Co. Ltd.
 Address: 7F, No. 36, Alley 1088, Shen Hong Rd., Ming Xin Dist., Shanghai City
 Name: Guangzhou PROMAX Architecture & Telephone: (86)020-3724-3136
 Decoration Material Co. Ltd.
 Address: No. 411, Main Office Building, No.512, Guangzhou Avenue North, Tianhe Dist.,
 Guangzhou City
 Name: Wuhan M.J. Architecture & Decoration Telephone: (86)027-8784-9788
 Material Co. Ltd.
 Address: No. 1, 36F, Bldg. No. 6 of Bldg. Nos. 6~7 of Wuhan 1818 Center, No. 109,
 Zhongzhen Rd., Wuchang Dist. Wuhan City (2nd Phase)
 Name: Xian M.J. Architecture & Decoration
 Material Co. Ltd. Telephone: (86) 13279352318

Address: Suite 10901, 9F, Unit 1, Bldg. No. 6, Wang Xiang Hui, No. 21, Gaoxin 6th Rd.,
Gaoxin Dist., Xian City

Name: Shenyang M.J. Architecture & Decoration
Material Co. Ltd.

Telephone: (86) 024-25102977

Address: No. 116-1-4, Hong Run Rd., Yuhong Dist., Shenyang City

(VI) Factory

Name: Dongguan Prolong PlasticProducts Co., Ltd. Telephone: (86)769-8663-2083

Address: 3rd Industrial Zone, Jizhou, Shijie Township, Dongguan City, Guandong Province

Name: Dongguan Mei Jer PlasticProducts Co., Ltd. Telephone: (86)769-8983-1234

Address: 3rd Industrial Zone, Huang Yong, Zhongtang Township, Dongguan City, Guandong
Province

III. Name, address, website and Tel. No. of the shareholders' service agent:

Name: CTBC Bank Co., Ltd.

Telephone: (886)2-2311-1838

Address: 3F., No.83, Sec. 1, Chongqing S. Rd.,
Zhongzheng District, Taipei City

Website: <http://www.ctbcbank.com>

IV. Name, firm name, address, website and Tel. No. of CPA certifying the financial statements of the most recent year:

Firm name: Deloitte Taiwan

Telephone: (886)2-2725-9988

CPAs: Chiang-Shiun Chen, CPA & Chang Keng-Hsi, CPA

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City Website: www.deloitte.com.tw

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A.

VI. Company website: <http://www.mjig.com>

VII. Roster of Directors (the nationality and main work experience of independent directors domiciled in Taiwan, if any, to be specified):

| Job title | Nationality or Place of Registration | Name | Main Work Experience |
|-------------------|--------------------------------------|---|--|
| Chairman of Board | Samoa | Black Dragon Assets Limited | - |
| | Taiwan R.O.C. | Representative: Chen Pen-Yuan | Graduated from junior high school Sales Manager/Production Section Chief of Zhen Hong Plastics Industry Co., Ltd. Factory manager of HANDSOME PLASTICS CO., LTD. President of M.J. |
| Director | Samoa | CROWN HARVEST COMPANY LIMITED | - |
| | Taiwan R.O.C. | Representative: Chen Chien-Yuen | Graduated from Taipei Municipal Nangang Vocational High School Manager, Domestic Sales Dept. of M.J.International Flooring and Interior Products Inc President of Guandong Pei Li International Construction Materials Co., Ltd. |
| Director | British Virgin Islands | Chairman Management Corp. | - |
| | Taiwan R.O.C. | Representative: Kao Chen-Sheng | Master, Long Island University Chairman of Board of WELLMEET International Co., Ltd. |
| Director | British Virgin Islands | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | - |

| | | | |
|-------------------------|------------------|------------------|--|
| | Taiwan R.O.C. | Ho Ping-Hsien | Graduated from National Taiwan University CFO of Formosa Plastics Corporation, FPC USA Overseas CFO of Charoen Pokphand Group |
| Director | Taiwan R.O.C. | Lin An-Hsiu | Graduated from elementary school |
| Director | Taiwan R.O.C. | Hsieh Ming-Feng | Department of Chemical Engineering, Lee-Ming Institute of Technology |
| Independent Director | Taiwan R.O.C. | Lin Chiang-Liang | Doctor, Department of Accounting, National Chengchi University Dean of General Affairs of Office of General Affairs, Chung Yuan Christian University Chair of Department of Accounting, Chung Yuan Christian University |
| Independent Director | Taiwan R.O.C. | Liao Wen-Chi | Doctor in Business Administration, Kobe University Associate Professor, NTUST Department of Business Administration |

VIII. Name, job title, contact No. and email of the designated domestic agent:

Designated domestic agent: Chen Pen-Yuan

Job Title: Chairman of Board

Telephone: (886)2-2268-4666

Email: IR@mjig.com

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One. Letter to Shareholders

Dear Shareholders:

In 2020, the COVID-19 epidemic not only threatened human life and health, but also significantly impacted the global economy, world trade, job market, and industry supply chain. Although customer demand gradually increased in the second half of the year, the depreciation of the U.S. dollar against the New Taiwan dollar, coupled with the shortage of cabins and containers for global shipping, partially affected actual shipments from customers, resulting in a decline in revenue and profit in 2020 compared to 2019.

2020 was a challenging year for the company. However, the unfavorable environment might also be the opportunity to demonstrate the company's competitiveness and sustainability, and we have proven that we are still able to maintain a solid profitability and provide sufficient cash dividends to our shareholders. At the same time, the company is not stopping in its efforts to strengthen, optimize itself, and continue to advance. In 2019, the company started the construction of a new plant in Tainan and is well on track to achieve pilot production in the third quarter of this year. The completion of the new plant in Tainan will be conducive to the future development and production of high-end technology products, the cultivation of international talents, the complete realization of the benefits of automated production, and the reduction of the risk of uncertainty in the international market, which is an important milestone in the realization of the company's strategy of decentralizing production capacity and markets.

Looking ahead, while uncertainty may persist in the global economics and , the company remains optimistic and will continue to strengthen the company and expand its technological differentiation, markets and customers.

We outlined the 2020 business report and 2021 business plan of the Company below:

I. 2020 Business Report

(I) Overview

The Company's annual consolidated revenue was NT\$2.882 billion in 2020, with a decrease of 16.89% comparing to 2019. The decrease was mainly due to the negatively impact from COVID-19. Although customers' orders gradually stabilized in the second half of the year, customer shipments were affected by the shortage of cabins and containers in global shipping. The depreciation of the U.S. dollar against the New Taiwan dollar was also one of the main reasons for the decrease in revenue compared to 2019.

(II) The business plan implementation results compared with that in 2019:

The revenue referred to in the 2020 consolidated financial statements was NT\$2,882,490 thousand, and the cost of goods sold NT\$2,096,872 thousand, gross profit NT\$785,618 thousand, gross profit margin 27.2%, net income after tax NT\$278,986 thousand, and net income margin 9.6%, compared with those in 2019 as following:

Unit: NTD Thousand

| Item | 2020 | 2019 | Amount of increase (decrease) | Increase (decrease) |
|--------------------|-----------|-----------|-------------------------------|---------------------|
| Sales revenue | 2,882,490 | 3,468,163 | (585,673) | -16.89% |
| Cost of goods sold | 2,096,872 | 2,576,616 | (479,744) | -18.62% |

| | | | | |
|----------------------|---------|---------|-----------|---------|
| Gross profit | 785,648 | 891,547 | (105,889) | -11.88% |
| Net income after tax | 278,985 | 402,465 | (123,480) | -30.68% |

The impact of COVID-19 epidemic in 2020 led to a decline in turnover, which was NT\$585,673 thousand lower than that of 2019. In terms of regional performance, Europe is still the major market for the company, accounting for 58.73% of sales, North America accounts for 15.64%, Taiwan accounts for 6.68%, and other regions together account for 9.72%, while the China market was affected by the epidemic with the sales share declining slightly to 9.22% in 2020.

As for the gross margin, the first three quarters benefited from the decline in raw material prices, which in turn improved the gross margin in 2020, so the gross margin for 2020 increased to 27.3% compared to 25.7% in 2019.

(III) Analysis on profitability

Although the gross profit margin increased from 25.7% to 27.3% in 2019, the gross profit from sales still decreased by \$105,899 thousand compared to 2019, and the foreign exchange loss increased due to the depreciation of the U.S. dollar. The overall net income after tax decreased to \$278,985 thousand with a net profit margin of 9.68%.

(IV) Status of Research&Development

In order to build up a better R&D environment and R&D management system, to bring in more professional talents, to enhance R&D capabilities, and to develop core technologies, the company is currently expanding the current scale of the R&D center through the guidance of the Plastic Industry Technology Development Center, with the expectation that it will be able to develop new products in multiple directions. In addition, the 2021 target will combine the concepts of corporate social responsibility and circular economy to transform and utilize specific waste resources to develop innovative products that are more environmentally friendly and safe.

II. Outlook

Looking forward to 2021, the Company keeps its optimistic outlook. Beside strengthening the sales in commercial markets and actively branching up household markets as its core business, the Company also devoted in the R&D of LVT and SPC products. It seems that SPC flooring is a promising technology with excellent properties, such as high wear resistance, fire and moisture prevention and eco-friendly material, which can drive the enhancement on the acceptance in household markets of Europe, US and China. MJ adjusted the strategies with dual business orders, LVT and SPC to gain the footing stand in commercial markets and expand the sales in household markets. It is expected to have a good overall business performance from the benefits of overall strategies. On one hand, the Company continues to promote ODM business transformation on the export market. Currently, the Company maintained a good standard on the orders from the major clients in Europe. As the learning curve of the new SPC production line improved, the shipment performance may be driven; on the other hand, the two self-owned brands under the Company, Mei Jer and Prolong, laid out a more comprehensive sales channel and cross-industry cooperation opportunities and actively created a sprint to increase market shares in China and some parts of Taiwan. The Company hopes to build a good growth engine for future business of the corporation.

In view of the fact that decentralized production capacity and market diversification will help mitigate the uncertainty caused by global trade protectionism and infectious disease epidemics, in 2019, Mei Jer has approved the investment plan for a new SPC plant in Tainan to expand its SPC stone tile production line. The construction started in March 2020 and is targeted to be completed in the third quarter of 2021 and gradually put into production, which will help the company's future

revenue growth. The Company will continue to optimize its teams and organizations, deepen the development of MJ brand value, and continue to research and develop prospective technologies and innovative applications thereof to keep improving the Company's leading core competitiveness. With the effects from the epidemics, we will take a serious attitude to face the potential effect to our operation.

The Company's business overview and outlook are stated as above. The Company will continue to uphold the management philosophy focusing on honesty, diligence, simplicity, prudence and quality as the first priority, upgrade the Company's entire core competitiveness, grow as driven by the customers' interests and satisfaction, adhere to the principle for pursuing innovation and improvement, keep improving its production process, innovating its design and striving for perfect quality, and continue to use its best efforts to run the enterprise to achieve steady growth, repay all shareholders, and enable the Company to become the most reliable partner of customers. Meanwhile, the Company will practice corporate governance and fulfill corporate social responsibility and sustainability. Wish all of you.

Health and happiness!

M. J. International Co., Ltd.

Chairman of Board: Chen Pen-Yuan

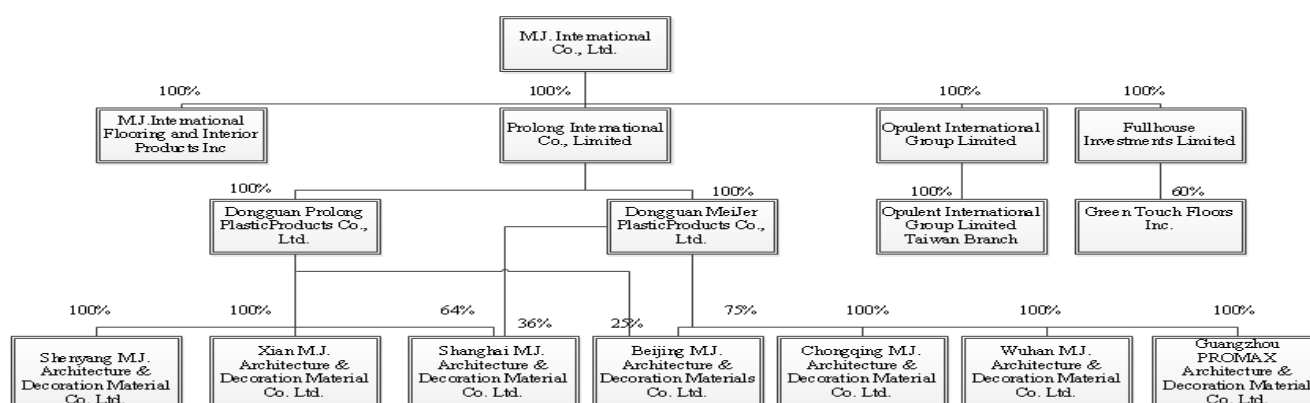
Two. Company profile

I. Date of incorporation and company profile

M. J. International Co., Ltd. (hereinafter referred to as the Company or M.J.International Co.,Ltd(CAYMAN)) is a holding company incorporated in British Cayman Islands on October 8, 2010. All of the Company's subsidiaries are wholly owned by the Company, directly or indirectly. The Company is engaged in development, production and sale of Luxury Vinyl Tile as its main business lines. The jurisdictions/countries of registration and main functions of the Company's subsidiaries are introduced as following:

| Company name | Place of registration | Main functions |
|---|-----------------------|--|
| M.J.International Flooring and Interior Products Inc.(hereinafter referred to as Taiwan MeiJer) | Taiwan R.O.C. | Domestic sales and business location in Taiwan |
| Prolong International Co., Limited. (hereinafter referred to as Prolong International) | Hong Kong | Investment holding |
| Opulent International Group Limited. (hereinafter referred to as Opulent International) | Hong Kong | Procurement of raw materials |
| Opulent International Group Limited Taiwan Branch (hereinafter referred to as Opulent Taiwan) | Taiwan R.O.C. | Business location dedicated to accepting orders for export |
| Fullhouse Investments Limited | Samoa | Investment holdings |
| Green Touch Floors Inc | Canada | Sales and operation sites at Canada |
| Dongguan Prolong PlasticProducts Co., Ltd. (hereinafter referred to as Dongguan Prolong) | China | Investment holding, and production of luxury vinyl tile |
| Dongguan MeiJer PlasticProducts Co., Ltd. (hereinafter referred to as Dongguan MeiJer) | China | Investment holding, and production of luxury vinyl tile |
| Chongqing M.J. Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Chongqing MeiJer) | China | Sales and business location in the territories of the mainland China |
| Beijing M.J. Architecture & Decoration Materials Co. Ltd. (hereinafter referred to as Beijing MeiJer) | China | Sales and business location in the territories of the mainland China |
| Shanghai M.J. Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Shanghai MeiJer) | China | Sales and business location in the territories of the mainland China |
| Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Guangzhou PROMAX) | China | Sales and business location in the territories of the mainland China |
| Wuhan M.J. Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Wuhan MeiJer) | China | Sales and business location in the territories of the mainland China |
| Xian M.J. Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Xian MeiJer) | China | Sales and business location in the territories of the mainland China |
| Shenyang M.J. Architecture & Decoration Material Co. Ltd. (hereinafter referred to as Shenyang MeiJer) | China | Sales and business location in the territories of the mainland China |

II. Company organization



III. Company history

| Year | Milestones |
|------|---|
| 1982 | <ul style="list-style-type: none"> • M.J.International Flooring and Interior Products Inc was founded in Shulin District, New Taipei City, Taiwan in June . |
| 1986 | <ul style="list-style-type: none"> • M.J.International Flooring and Interior Products Inc was relocated to Tucheng District, New Taipei City, Taiwan in May. |
| 1990 | <ul style="list-style-type: none"> • M.J.International Flooring and Interior Products Inc expanded its production capacity in October. |
| 1993 | <ul style="list-style-type: none"> • Dongguan Prolong PlasticProducts Co., Ltd.constructed its factory in ShiJie Township, Dongguan City in June. |
| 1997 | <ul style="list-style-type: none"> • Build the Prolong brand for tiles sold in Taiwan and the mainland China. |
| 2001 | <ul style="list-style-type: none"> • Dongguan Prolong factory passed ISO 9001 certification. |
| 2002 | <ul style="list-style-type: none"> • Dongguan Prolong factory passed CSTB certification. |
| 2005 | <ul style="list-style-type: none"> • Construction of Dongguan Prolong factory was completed, and the factory passed ISO 14001 certification. |
| 2006 | <ul style="list-style-type: none"> • Dongguan MeiJer PlasticProducts Co., Ltd. constructed its factory in Zhong Tang Township in August. |
| 2008 | <ul style="list-style-type: none"> • Dongguan Prolong factory expansion was completed and the factory started the mass production in April. |
| 2010 | <ul style="list-style-type: none"> • Dongguan MeiJer factory expansion (MeiJer Factory No. 2) was completed and equipped with fully-automatic production lines. |
| 2010 | <ul style="list-style-type: none"> • The first-listed entity, M. J. International Co., Ltd., was founded in Cayman Islands in October.M. J. International Co., Ltd. also established Prolong International Co., Limited in Hong Kong and proceeded with the reorganization. |
| 2011 | <ul style="list-style-type: none"> • Created the PROMAX brand for sale in the territories of Taiwan and the mainland China. |
| 2012 | <ul style="list-style-type: none"> • Founded Chongqing M.J. Architecture & Decoration Material Co. Ltd. in November to engage in the sale business in the mainland China. • Founded Opulent International Group Limited in Hong Kong and its Taiwan Branch in November to engage in the international sale business. • Acquired the utility model and invention patents in the mainland China, utility model patent in Taiwan and utility model patent in Japan with respect to PVC non-slip tiles. • Passed SA8000 certification and BRE green environmental protection certification. |
| 2013 | <ul style="list-style-type: none"> • Passed Floor Score US indoor air health emission standard certification. • Founded Beijing M.J. Architecture & Decoration Materials Co. Ltd. 、Shanghai M.J. Architecture & Decoration Material Co. Ltd. and Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. to engage in the sale business in the mainland China. • Released the KAAPFLOR brand to expand the markets in the mainland China and South East Asia. |
| 2014 | <ul style="list-style-type: none"> • Received the Outstanding Taiwanese Businessman Award-Export Excellence Award of 2nd Term from Management Institute in Taipei. • Acquired the utility model patent in Taiwan, utility model patent in the mainland China, utility model patent in Japan and invention patent in the USA with respect to PVC non-slip tiles. • Acquired the utility model patent in Taiwan and invention patent in the USA with respect to novel environmental protection tiles. |
| 2015 | <ul style="list-style-type: none"> • Expansion of Dongguan MeiJer Factory No. 3 was completed. • Expansion of hot press production lines of Dongguan MeiJer Factory was completed. |

| | |
|------|---|
| 2016 | <ul style="list-style-type: none"> • Founded Wuhan M.J. Architecture & Decoration Material Co. Ltd. to engage in the sale business in the mainland China. • Listed on TWSE. • Acquired the Green Tag Certificate from Ministry of Interior of Taiwan R.O.C.. |
| 2017 | <ul style="list-style-type: none"> • Created the Xian M.J. Architecture & Decoration Material Co. Ltd. for sale in the territories of the mainland China. |
| 2018 | <ul style="list-style-type: none"> • Shanghai Business Center was established. • Founded Wuhan M.J. Architecture & Decoration Material Co. Ltd. to engage in the sale business in the mainland China. |
| 2019 | <ul style="list-style-type: none"> • Founded Shenyang M.J. Architecture & Decoration Material Co. Ltd. |
| 2020 | <ul style="list-style-type: none"> • To distribute production capabilities and markets, the Company has officially started the construction of new factory in Tainan Technology Industrial Park in the investment plan. |

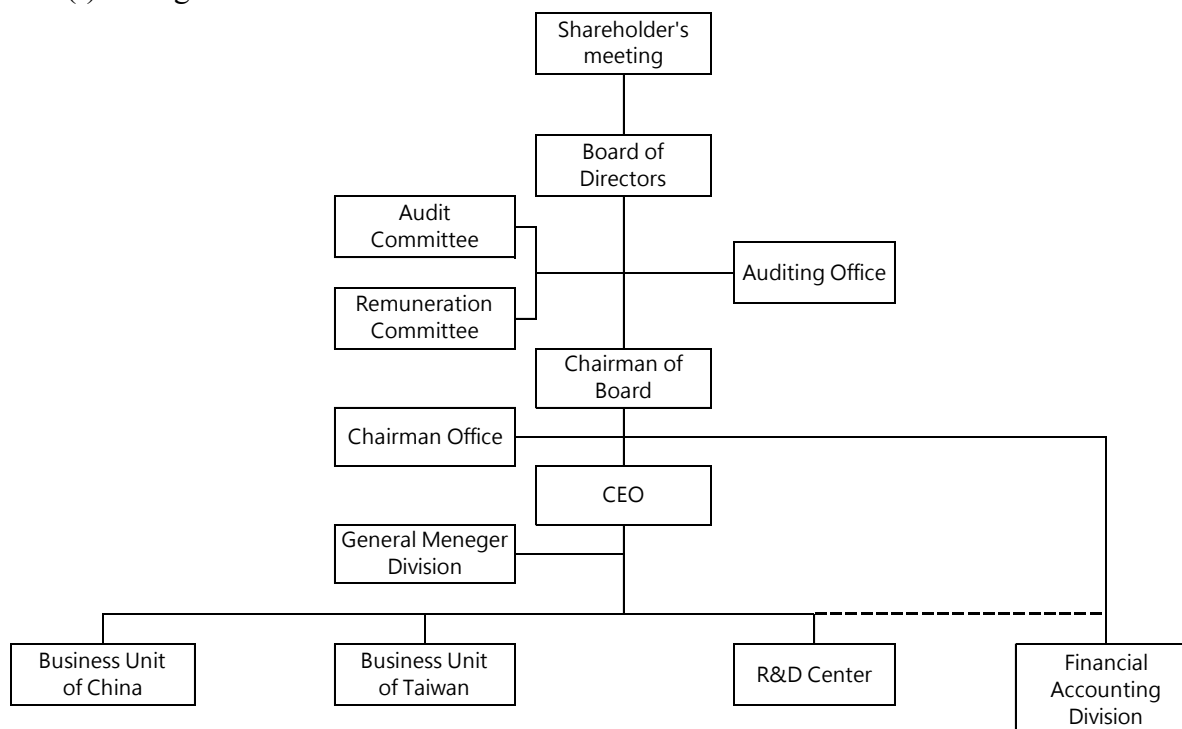
IV. Risks

Please see Chapter Seven. Discussion and Analysis of Financial Position and Financial Performance, and Risks referred to herein.

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Operations by department

| Department | Operations & functions |
|------------------------|--|
| Board of Directors | Make policy-based decisions and set the objectives and policies with respect to the Company's business administration. |
| Audit Committee | Supervise the Company's business overview and financial position, adequate expression of financial statements, and effective implementation of internal controls. |
| Remuneration Committee | Establish and periodically assess the performance appraisal on directors and managers, as well as policies, systems, standards and structures of remuneration, and establish and periodically assess the remuneration to directors and managers. |
| Auditing Office | Conduct the operational audit on the internal regulations, procedures and authorization by the competent authority and the Company, and execution thereof, and provide suggestions about improvement. |
| Chairman Office | Plan the business strategies, set business objectives, assess and promote investment projects, and plan and execute the affairs related to directors' meetings and shareholders' meetings. |

| Department | Operations & functions |
|-------------------------------|---|
| General Meneger Division | <p>Set the objectives about management of human resource, general affairs, procurement and SHE of the Group's subsidiaries.</p> <p>Integrate the application of the Company's information resources and management of information security, including procurement and maintenance of computer software and hardware, installation, planning, management and maintenance of network, development and maintenance of application softwares, and implementation of various office systems.</p> <p>Plan and manage the legal affairs, ISO, document management and operation standardization of the group.</p> <p>Formulate projects to improve the operating performance of various business entities.</p> |
| Business Unit of China | <p>Coordinate the overall strategic planning and project planning of the group's factories in China and its affiliated units, evaluate and gather data such as business plans and performance, and track, supervise and supervise the company's various projects and work objectives and progress. Assist, collect and provide external business management intelligence, information, and hold business meetings.</p> |
| Business Unit of Taiwan | <p>Coordinate the overall strategic planning and project planning of the group's factories in Taiwan and its affiliated units, evaluate and gather data such as business plans and performance, and track, supervise and supervise the company's various projects and work objectives and progress. Assist, collect and provide external business management intelligence, information, and hold business meetings.</p> |
| R&D Center | <p>Integrate new materials, new technologies and new functions to develop new products or new production processes; assist the technology transfer and implement mass production; and establish related documents, such as BOM and SOP.</p> <p>Assess and research the new ideas about forward-looking technologies and products; execute outsourcing R&D cooperative projects; conduct pre-market survey and establish product development plans.</p> <p>Search, assess, apply for and maintenance the patents about the products.</p> |
| Financial Accounting Division | <p>Responsible for capital allocation, accounting, financial budget, cashier, taxation and shareholders' service of the Company.</p> |

II. Information about the directors, supervisors, President and CEO, vice presidents, assistant vice presidents and heads of departments and branches

(I) Directors and supervisors

1. Directors

April 5, 2021 Unit: shares; %

| Job title | Nationality or Place of Registration | Name | Gender | Date of Election (Appointment) | Term of Office | Date of First Election (Appointment) | Number of shares held at the time of election (appointment) | | Current quantity of shares held | | Number of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in the Company and other companies | Spouse or relative within the 2nd degree of kinship who is also a manager, director or supervisor of the Company | | |
|-------------------|--------------------------------------|---|--------|--------------------------------|----------------|--------------------------------------|---|--------------|---------------------------------|--------------|---|--------------|---|--------------|--|--|--|------|--------------|
| | | | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship |
| Chairman of Board | Samoa | Black Dragon Assets Limited | | September 5, 2018 | 3 years | March 24, 2014 | 4,478,400 | 6.78% | 4,478,400 | 6.78% | - | - | - | - | - | - | - | - | - |
| | Taiwan R.O.C. | Representative: Chen Pen-Yuan | Male | | | | 731,797 | 1.11% | 731,797 | 1.11% | (Note 1) | (Note 1) | (Note 2) | (Note 2) | Graduated from junior high school Sales Manager/Production Section Chief of Zhen Hong Plastics Industry Co., Ltd. Factory manager of HANDSOME PLASTICS CO., LTD. President of M.J. | Chairman of Board of M.J.International Flooring and Interior Products Inc Director of Opulent International Group Limited. Director of Prolong International Co., Limited. | - | - | - |
| Director | Samoa | CROWN HARVEST COMPANY LIMITED | | September 5, 2018 | 3 years | August 7, 2014 | 12,204,000 | 18.47% | 12,204,000 | 18.47% | - | - | - | - | - | - | - | - | - |
| | Taiwan R.O.C. | Representative: Chen Chien-Yuen | Male | | | | - | - | - | - | - | - | (Note 3) | (Note 3) | Graduated from Taipei Municipal Nangang Vocational High School Manager, Domestic Sales Dept. of M.J.International Flooring and Interior Products Inc President of Guandong Pei Li International Construction Materials Co., Ltd. | Chairman of Board of Guan Chen International Co., Ltd. Director of Dongguan Prolong PlasticProducts Co., Ltd. Director of Dongguan Mei Jer PlasticProducts Co., Ltd. | - | - | - |
| Director | British Virgin Islands | Chairman Management Corp. | | September 5, 2018 | 3 years | June 2, 2017 | 3,999,000 | 6.05% | 3,999,000 | 6.05% | - | - | - | - | - | - | - | - | - |
| | Taiwan R.O.C. | Representative: Kao Chen-Sheng | Male | | | | - | - | - | - | - | - | (Note 4) | (Note 4) | Master, Long Island University Factory Manager of Ching-Mei Textile Corp., Ltd. | Chairman of Board of Ching-Mei Textile Corp., Ltd. | - | - | - |
| Director | British Virgin Islands | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | | September 5, 2018 | 3 years | September 5, 2018 | 7,779,000 | 11.78% | 7,779,000 | 11.78% | - | - | - | - | Graduated from National Taiwan University CFO of Formosa Plastics Corporation, FPC USA Overseas CFO of Charoen Pokphand Group | Non-Executive Director of Taiwan Honma Golf Co., Ltd. | - | - | - |
| | Taiwan R.O.C. | Representative: Ho Ping-Hsien | Male | | | | | | | | | | | | | | | | |

| Job title | Nationality or Place of Registration | Name | Gender | Date of Election (Appointment) | Term of Office | Date of First Election (Appointment) | Number of shares held at the time of election (appointment) | | Current quantity of shares held | | Number of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in the Company and other companies | Spouse or relative within the 2nd degree of kinship who is also a manager, director or supervisor of the Company | | |
|----------------------|--------------------------------------|------------------|--------|--------------------------------|----------------|--------------------------------------|---|--------------|---------------------------------|--------------|---|------------------|---|--------------|---|---|--|------|--------------|
| | | | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship |
| Director | Taiwan R.O.C. | Lin An-Hsiu | Male | September 5, 2018 | 3 years | October 8, 2010 | 710,500 | 1.08% | 1,370,500 | 2.07% | 99,500 | 0.15% | - | - | Graduated from elementary school | Supervisor of G.T Floor Co., LTD. Director of M.J.International Flooring and Interior Products Inc(TW) Director of Prolong International Co., Limited(HK) | - | - | - |
| Director | Taiwan R.O.C. | Hsieh Ming-Feng | Male | September 5, 2018 | 3 years | August 7, 2014 | 760,000 | 1.15% | 760,000 | 1.15% | 557,000 | 0.84% | (Note 5) | (Note 5) | Department of Chemical Engineering, Lee-Ming Institute of Technology | Chairman of Board of Xin Wei Cun Ltd. Supervisor of M.J.International Flooring and Interior Products Inc(TW) Supervisor of Dongguan Mei Jer PlasticProducts Co., Ltd.(CHN) Supervisor of Dongguan Prolong PlasticProducts Co., Ltd.(CHN) Chairman of Board of Wei Chung Development Co., Limited. | - | - | - |
| Independent Director | Taiwan R.O.C. | Lin Chiang-Liang | Male | September 5, 2018 | 3 years | August 7, 2014 | - | - | - | - | - | - | - | - | Doctor, Department of Accounting, National Chengchi University Dean of General Affairs of Office of General Affairs, Chung Yuan Christian University Chair of Department of Accounting, Chung Yuan Christian University | Professor of Department of Accounting, Chung Yuan Christian University Independent Director/Remuneration Committee Member of Tecom Co., Ltd. Independent Director/Remuneration Committee Member of CALITECH CO., LTD. Indepednet director/member of remuneration committee, KEYSTONE MICROTECH CO | - | - | - |

| Job title | Nationality or Place of Registration | Name | Gender | Date of Election (Appointment) | Term of Office | Date of First Election (Appointment) | Number of shares held at the time of election (appointment) | | Current quantity of shares held | | Number of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in the Company and other companies | Spouse or relative within the 2nd degree of kinship who is also a manager, director or supervisor of the Company | | |
|----------------------|--------------------------------------|-----------------|--------|--------------------------------|----------------|--------------------------------------|---|--------------|---------------------------------|--------------|---|--------------|---|--------------|---|---|--|------|--------------|
| | | | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship |
| Independent Director | Taiwan R.O.C. | Liao Wen-Chi | Male | September 5, 2018 | 3 years | August 7, 2014 | - | - | - | - | - | - | - | - | Doctor in Business Administration, Kobe University Associate Professor, NTUST Department of Business Administration | Adjunct Associate Professor, NTUST Department of Business Administration Director of Sunshine Social Welfare Foundation Chairman of National Association of Small & Medium Enterprises, R.O.C., Industry-Academia Collaboration Committee | - | - | - |
| Independent Director | Taiwan R.O.C. | Chiou, Yyh-Shen | Male | 2020.06.09 | 3 years | June 9, 2020 | - | - | - | - | - | - | - | - | Ph.D. in Marketing, Michigan State University Chairperson and Professor of Dept. of International Business, National Chengchi University | Distinguished Professor of the Department of International Trade, National Chengchi University Independent Director of STL Technology Co., Ltd. | | | |

Note 1:Chen Pen-Yuan's spouse holds 100% of the equity of ALPHA MARVEL CORPORATION. ALPHA MARVEL CORPORATION holds 4.23% of the equity of the Company.

Note 2:Chen Pen-Yuan holds 100% of the equity of Black Dragon Assets Limited. Dragon Assets Limited holds 6.78% of the equity of the Company.

Note 3:Chen Chien-Yuen holds 12% of the equity of CROWN HARVEST COMPANY LIMITED. CROWN HARVEST COMPANY LIMITED holds 18.47% of the equity of the Company.

Note 4:Kao Chen-Sheng holds 100% of the equity of Chairman Management Corp.. Chairman Management Corp. holds 6.05% of the equity of the Company.

Note 5:Hsieh Ming-Feng holds 39.70% of Wei Chung Development CO., Limited. Wei Chung Development CO., Limited holds 2.23% of the equity of the Company.

Note 6: The chairman of the board of directors and the general manager of the company are the same person. The chairman of the board of directors used to be the general manager of the company and was familiar with various businesses of the company. The company has nine directors, of which there are three independent independent directors, which is higher than the two and one-fifth requirements. They also have expertise in financial accounting and marketing, and can effectively perform their supervisory functions and implement corporate governance. More than half of the company's directors do not serve concurrently as employees or managers, and the board of directors retains objectivity and supervisory functions.

2. Supervisors: N/A, because the Company has already established the Audit Committee.

3. Major shareholders of institutional shareholders

March 31, 2021

| Name of institutional shareholder | Major shareholders of institutional shareholders |
|---|---|
| Black Dragon Assets Limited | Chen Pen-Yuan (100%) |
| CROWN HARVEST COMPANY LIMITED | Chen Chun-Po (28%), Liu Chu-Mei (12%), Chen Chien-Yuen (12%), Chen Chien-Long (12%), Chen Chien-Ming (12%), Chen Man-Ling (12%), Chang Li-Huang (12%) |
| Chairman Management Corp. | Kao Chen-Sheng (100%) |
| Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | CT Bright Fund Management Company Limited (100%) |

4. Major shareholders of institutional shareholders' major shareholders who are institutional investors

March 31, 2021

| Name of Institute Investor | Major shareholders of Institute Investors |
|-----------------------------------|--|
| CT Bright Capital Company Limited | CT Bright Fund Management Company Limited (100%) |

5. Information about directors and supervisors

| Qualifications | Have more than 5 years of experience and the following professional qualifications | | | Status of independence (Note1) | | | | | | | | | | | | Number of public companies where the person holds the position as independent director |
|--|---|--|--|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities | Pass the qualification examination with proper licensing by the national government as court judge, prosecutor, attorneys-at-law, certified public accountant or other professional designations required by the business of the Company | Required work experience in commerce, law, finance, accounting or others required by the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Name | | | | | | | | | | | | | | | | |
| Chairman of Board Black Dragon Assets Limited Representative: Chen Pen-Yuan | | | ✓ | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Director | | | ✓ | ✓ | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |

| Qualifications | Have more than 5 years of experience and the following professional qualifications | | | Status of independence (Note1) | | | | | | | | | | | | Number of public companies where the person holds the position as independent director |
|--|---|--|--|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities | Pass the qualification examination with proper licensing by the national government as court judge, prosecutor, attorneys-at-law, certified public accountant or other professional designations required by the business of the Company | Required work experience in commerce, law, finance, accounting or others required by the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Name | | | | | | | | | | | | | | | | |
| CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen | | | | | | | | | | | | | | | | |
| Director Chairman Management Corp. Representative: Kao Chen-Sheng | | | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Director Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien | | | ✓ | ✓ | | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | - |
| Director Lin An-Hsiu | | | ✓ | ✓ | | | | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | - |
| Director Hsieh Ming-Feng | | | ✓ | ✓ | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Independent Director Lin Chiang-Liang | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Independent Director Liao Wen-Chi | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Independent Director Chiou, Yyh-Shen | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |

(1) Not an employee of this Company or its affiliates.

(2) Not a Director or Supervisor of the Company or its affiliates, (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same

parent company are set up according to this Act or local country ordinances).

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- (4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).
- (5) Not a director, supervisor, or employees of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act, (However, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company, (however, this does not apply, in case where the specific company or institution holds over 20% but less than 50% of the total number of issued shares of the Company and the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (9) Not a professional who provides auditing, nor a professional who provides commercial legal, financial, accounting, or consulting services to the Company or its affiliates with the cumulated remuneration within the last two years less than NT\$500,000, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such service to the Company or its affiliates, however, this does not apply for members of compensation committee, public acquisition audit committee or special committee for merger who exercise power in accordance with relevant laws and regulations in Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act

(II) President and CEO, vice presidents, assistant vice presidents and heads of departments and branches

April 5, 2021 Unit: shares; %

| Job title | Nationality | Name | Gender | Date of Election (Appointment) | Quantity of shares held | | Quantity of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in other companies | Spouse or relative within 2nd degree of kinship and who is a manager | | | note |
|----------------|---------------|-----------------|--------|--------------------------------|-------------------------|--------------|---|--------------|---|--------------|---|--|--|------|--------------|----------|
| | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship | |
| President | Taiwan R.O.C. | Chen Pen-Yuan | Male | June 30, 2020 | 731,797 | 1.11% | (Note 3) | (Note 3) | (Note 4) | (Note 4) | Department of Industrial Engineering and Systems Management, Feng Chia University M.J. - Special Assistant of President Office M.J. - Vice President of Production M.J. - Vice President of Marketing | (Note 1) | - | - | - | (Note 5) |
| Vice President | Taiwan R.O.C. | Liu Chiao-Lu | Male | February 1, 2012 | 192,311 | 0.29 | - | - | - | - | Department of Accounting, Chinese Culture University M.J. - Vice President of Administration M.J. - Special Assistant of President Office Taiwan Oasis Technology Co., Ltd. - Vice President CHUNG SHING TEXTILE CO., LTD. - Junior Accounting Manager CPA registered in the mainland China | (Note 2) | - | - | - | - |
| Vice President | China | Li Liang-You | Male | June 1, 2018 | - | - | - | - | - | - | Wanzai Vocational Technical School (mainland China) M.J. - Section Chief of Supplies Section, Production Control Department M.J. - Section Chief of Quality Assurance Department M.J. - Manager of Manufacturing Department | - | - | - | - | - |
| Vice President | Taiwan R.O.C. | Peng Shao-Tseng | Male | July 4, 2016 | - | - | - | - | - | - | National Taiwan University EMBA The City University of New York MBA Independent Advisor KPMG Corporate Finance Co., Ltd., Business Process Reengineering -Vice President/Assistant Vice President/Manager Li Xin International Development Co., Ltd. - President North Bay Golf Recreation Co., Ltd. - Planning/Vice President of Financial Management/Assistant Vice | - | - | - | - | - |

| Job title | Nationality | Name | Gender | Date of Election (Appointment) | Quantity of shares held | | Quantity of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in other companies | Spouse or relative within 2nd degree of kinship and who is a manager | | | note |
|----------------|---------------|----------------|--------|--------------------------------|-------------------------|--------------|---|--------------|---|--------------|---|--|--|------|--------------|------|
| | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship | |
| | | | | | | | | | | | President/Manager | | | | | |
| Vice President | Taiwan R.O.C. | Ho Chiang-Chun | Male | July 10, 2021 | - | - | - | - | - | - | Graduate student of the Ph.D. program of the National Development and Mainland China Institute of Chinese Culture University Doctor of Economy & Management School, Wuhan University Guangzhou Lingnan Tongweng Education Invested - special assistant of the President concurrent the Acting President LiteOn Group-Director, Human Resource Division, China Enlight Corporation Group-Director of China General Management Office Aurora Communications-Director of General Management Department Director of Far East Airlines-Human Resources and General Affairs Tung-I Information Service -General Manager, Tainan Shop | - | - | - | - | - |
| Vice President | Taiwan R.O.C. | Chen Jong-Wu | Male | July 20, 2020 | - | - | - | - | - | - | PhD Chemical Engineering, National Taiwan University R&D Director, Jingyou Technology Research Fellow, Plastic Center Research and Development R&D Associate Research Fellow, Industrial Technology Research Institute Assistant Professor Chemical Engineering, Feng Chia University | - | - | - | - | - |
| Manager | Taiwan R.O.C. | Hung Ming-Ji | Male | November 11, 2019 | - | - | - | - | - | - | Dept. of Business Management, National Taiwan University of Science and Technology Manager of the audit office and finance dept., Mibtech Plastic & Molds Co., Ltd Vice manager of the audit office, Sunvic Technology Co., Ltd. | - | - | - | - | - |

| Job title | Nationality | Name | Gender | Date of Election (Appointment) | Quantity of shares held | | Quantity of shares held by their spouses and minor children | | Number of shares held under another person's name | | Educational background (work experience) | Positions concurrently held in other companies | Spouse or relative within 2nd degree of kinship and who is a manager | | | note |
|-----------|-------------|------|--------|-----------------------------------|-------------------------|--------------|---|--------------|---|--------------|---|---|--|------|--------------|------|
| | | | | | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | | | Job title | Name | Relationship | |
| | | | | | | | | | | | Vice manager of the finance and accounting dept., Top Yang Technology Enterprise Co., Ltd. Vice manger of the finance and accounting dept., Lian Hong Art Co., Ltd. Chief of the finance and accounting sector, I-Chiun Precision Industry Co., Ltd. | | | | | |

Note 1: Hold the position as the president concurrently in M.J. International Flooring and Interior Products Inc, Prolong International Co., Limited, Opulent International Group Limited, Dongguan Prolong Plastic Products Co., Ltd. and Dongguan MeiJer Plastic Products Co., Ltd..

Note 2: Hold the position as the supervisor concurrently in Chongqing M.J. Architecture & Decoration Material Co. Ltd. Beijing M.J. Architecture & Decoration Materials Co. Ltd. Shanghai M.J. Architecture & Decoration Material Co. Ltd. Xian M.J. Architecture & Decoration Material Co. Ltd. Wuhan M.J. Architecture & Decoration Material Co. Ltd. Shenyang M.J. Architecture & Decoration Material Co. Ltd. and Guangzhou PROMAX Architecture & Decoration Material Co. Ltd..

Note 3: Chen Pen-Yuan's spouse holds 100% of the equity of ALPHA MARVEL CORPORATION. ALPHA MARVEL CORPORATION holds 4.23% of the equity of the Company.

Note 4: Chen Pen-Yuan holds 100% of the equity of Black Dragon Assets Limited. Dragon Assets Limited holds 6.78% of the equity of the Company.

Note 5: The chairman of the board of directors and the general manager of the company are the same person. The chairman of the board of directors used to be the general manager of the company and was familiar with various businesses of the company. The company has nine directors, of which there are three independent independent directors, which is higher than the two and one-fifth requirements. They also have expertise in financial accounting and marketing, and can effectively perform their supervisory functions and implement corporate governance. More than half of the company's directors do not serve concurrently as employees or managers, and the board of directors retains objectivity and supervisory functions.

III. Remuneration to Directors, Supervisors, President and Vice Presidents

1. Remuneration to directors, supervisors, president and vice presidents in the most recent year

(1) Remuneration to directors (including independent directors)

Unit: NTD Thousand

| Job title | Name | Remuneration to directors | | | | | | | | The sum of A, B, C and D in proportion to earnings | | Remuneration received in the capacity as employees | | | | | | | | The sum of A, B, C, D, E, F and G in proportion to earnings | | Remuneration from investees other than subsidiaries |
|----------------------|--|---------------------------|--|-------------|--|-------------------------------|--|-------------------------------|--|--|--|--|--|---------------|----------------|--|----------------|-------------|--|---|-------|---|
| | | Remuneration (A) | | Pension (B) | | Remuneration to directors (C) | | For professional practice (D) | | | | Salary, bonus and special allowance, et al. (E) | | Pension (F) | | Remuneration to employees (G) | | | | | | |
| | | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements | the Company | | All companies included in the financial statements | | the Company | All companies included in the financial statements | | | |
| | | | | | | | | | | | | | | Cash dividend | Stock dividend | Cash dividend | Stock dividend | | | | | |
| Chairman of Board | Black Dragon Assets Limited Representative: Chen Pen-Yuan | - | 8,212 | - | - | 3,961 | 3,961 | 36 | 36 | 1.43 | 4.38% | - | 2,500 | - | - | - | - | - | - | 1.43% | 5.27% | - |
| Director | CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen | - | - | - | - | 1,980 | 1,980 | 36 | 36 | 0.72% | 0.72% | - | - | - | - | - | - | - | - | 0.72% | 0.72% | - |
| Director | Chairman Management Corp. Representative: Kao Chen-Sheng | - | - | - | - | 1,980 | 1,980 | 36 | 36 | 0.72% | 0.72% | - | - | - | - | - | - | - | - | 0.72% | 0.72% | - |
| Director | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien | - | - | - | - | 1,980 | 1,980 | 18 | 18 | 0.72% | 0.72% | - | - | - | - | - | - | - | - | 0.72% | 0.72% | - |
| Director | Lin An-Hsiu | - | - | - | - | 1,980 | 1,980 | 36 | 36 | 0.72% | 0.72% | - | - | - | - | - | - | - | - | 0.72% | 0.72% | - |
| Director | Hsieh Ming-Feng | - | - | - | - | 1,980 | 1,980 | 36 | 36 | 0.72% | 0.72% | - | - | - | - | - | - | - | - | 0.72% | 0.72% | - |
| Independent Director | Liao Wen-Chi | 389 | 389 | - | - | - | - | 36 | 36 | 0.15% | 0.15% | - | - | - | - | - | - | - | - | 0.15% | 0.15% | - |
| Independent Director | Lin Chiang-Liang | 389 | 389 | - | - | - | - | 36 | 36 | 0.15% | 0.15% | - | - | - | - | - | - | - | - | 0.15% | 0.15% | - |
| Independent Director | Chiou, Yyh-Shen | 227 | 227 | - | - | - | - | 30 | 30 | 0.09% | 0.09% | - | - | - | - | - | - | - | - | 0.09% | 0.09% | - |

Breakdown of remuneration

| Breakdown of remuneration to directors | Name of director | | | |
|--|---|---|---|---|
| | Total (A+B+C+D) | | Total (A+B+C+D+E+F+G) | |
| | the Company | All companies included in the financial statements | the Company | All companies included in the financial statements |
| Less than NT\$1,000,000 | Lin Chiang-Liang, Liao Wen-Chi, Chiou, Yyh-Shen | Lin Chiang-Liang, Liao Wen-Chi, Chiou, Yyh-Shen | Lin Chiang-Liang, Liao Wen-Chi, Chiou, Yyh-Shen | Lin Chiang-Liang, Liao Wen-Chi, Chiou, Yyh-Shen |
| NT\$1,500,000 (inclusive)~ NT\$2,000,000 (exclusive) | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account (Representative: Ho Ping-Hsien) | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account (Representative: Ho Ping-Hsien) | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account (Representative: Ho Ping-Hsien) | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account (Representative: Ho Ping-Hsien) |
| NT\$2,000,000 (inclusive)~ NT\$3,500,000 (exclusive) | CROWN HARVEST COMPANY LIMITED (Representative: Chen Chien-Yuen), Chairman Management Corp. (Representative: Kao Chen-Sheng), Lin An-Hsiu, Hsieh Ming-Feng | CROWN HARVEST COMPANY LIMITED (Representative: Chen Chien-Yuen), Chairman Management Corp. (Representative: Kao Chen-Sheng), Lin An-Hsiu, Hsieh Ming-Feng | CROWN HARVEST COMPANY LIMITED (Representative: Chen Chien-Yuen), Chairman Management Corp. (Representative: Kao Chen-Sheng), Lin An-Hsiu, Hsieh Ming-Feng | CROWN HARVEST COMPANY LIMITED (Representative: Chen Chien-Yuen), Chairman Management Corp. (Representative: Kao Chen-Sheng), Lin An-Hsiu, Hsieh Ming-Feng |
| NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive) | Black Dragon Assets Limited (Representative: Chen Pen-Yuan) | | Black Dragon Assets Limited (Representative: Chen Pen-Yuan) | |
| NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive) | | | | |
| NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive) | | Black Dragon Assets Limited (Representative: Chen Pen-Yuan) | | Black Dragon Assets Limited (Representative: Chen Pen-Yuan) |
| NT\$15,000,000 (inclusive)~ NT\$300,000,000 (exclusive) | | | | |
| NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive) | | | | |
| NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive) | | | | |
| More than NT\$100,000,000 | | | | |
| Total | 9 persons | 9 persons | 9 persons | 9 persons |

(2) Remuneration to supervisors: N/A, because the Company has already established the Audit Committee.

(3) Remuneration to President and Vice Presidents

Unit: NT\$ thousand; %

| Job title | Name | Salary (A) | | Pension (B) | | Bonus and special allowance, et al. (C) | | Remuneration (D) | | | | The sum of A, B, C and D in proportion to earnings | | Remuneration from investees other than subsidiaries |
|----------------|------------------------|--------------|--|--------------|--|---|--|------------------|----------------------------|--|----------------------------|--|--|---|
| | | the Comp any | All companies included in the financial statements | the Com pany | All companies included in the financial statements | the Compa ny | All companies included in the financial statements | the Company | | All companies included in the financial statements | | the Company | All companies included in the financial statements | |
| | | | | | | | | Bonu s in cash | Bonus in the form of stock | Bonus in cash | Bonus in the form of stock | | | |
| President | Chen Pen-Yuan (Note 1) | - | 7,550 | - | 395 | - | 1,027 | - | - | 5,106 | - | - | 5.05% | - |
| Vice President | Liu Chiao-Lu | | | | | | | | | | | | | |
| Vice President | Lee Liang-You | | | | | | | | | | | | | |
| Vice President | Peng Shao-Tseng | | | | | | | | | | | | | |
| Vice President | Ho Chiang-Chun | | | | | | | | | | | | | |
| Vice President | Chen Jong-Wu | | | | | | | | | | | | | |

Note 1: The President Chiang Tze-Hua retired on June 30, 2020, and was replaced by the chairman of the Board Chen Pen-Yuan as the general manager.

Breakdown of remuneration

| Breakdown of remuneration to President and Vice President of the Company | Name of President and Vice President | |
|---|--------------------------------------|---|
| | the Company | All companies included in the financial statements |
| Less than NT\$1,000,000 | - | |
| NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive) | - | Chen Jong-Wu, Lee Liang-You |
| NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive) | - | Chen Pen-Yuan, Liu Chiao-Lu, Peng Shao-Tseng, Ho Chiang- Chun |
| NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive) | - | |
| NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive) | - | |
| NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive) | - | |
| NT\$15,000,000 (inclusive)~NT\$300,000,000 (exclusive) | - | |
| NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive) | - | |
| NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive) | | |
| More than NT\$100,000,000 | | |
| Total | 0 person | 6 persons |

(4) Name of the manager whom the employee bonus was allocated to in the most recent year and status of the allocation:

| | Job title | Name | Bonus in the form of stock | Bonus in cash | Total | Total in proportion to earnings (%) |
|---------|------------------|------------------------|----------------------------|---------------|-------|-------------------------------------|
| Manager | President | Chen Pen-Yuan (Note 1) | - | 5,106 | 5,106 | 1.83% |
| | Vice President . | Liu Chiao-Lu | | | | |
| | Vice President | Lee Liang-You | | | | |
| | Vice President | Peng Shao-Tseng | | | | |
| | Vice President | Ho Chiang-Chun | | | | |
| | Vice President | Chen Jong-Wu | | | | |

Note 1: The President Chiang Tze-Hua retired on June 30, 2020, and was replaced by the chairman of the Board Chen Pen-Yuan as the general manager.

(4)-1 the top of five supervisors Remuneration

Unit:NT\$thousand, %

| Job title | Name | Salary (A) | | Pension (B) | | Bonus and special allowance, et al. (C) | | Remuneration (D) | | | | The sum of A, B, C and D in proportion to earnings% | | Remuneration from investees other than subsidiaries |
|----------------|-----------------|-------------|--|-------------|--|---|--|------------------|----------------------------|--|----------------------------|---|--|---|
| | | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | | All companies included in the financial statements | | The Company | All companies included in the financial statements | |
| | | | | | | | | Bonus in cash | Bonus in the form of stock | Bonus in cash | Bonus in the form of stock | | | |
| Vice President | Liu Chiao-Lu | | 1,935 | | 108 | | 306 | | | 650 | | | 1.07% | |
| Vice President | Ho Chiang-Chun | | 1,800 | | 108 | | 255 | | | 800 | | | 1.06% | |
| Vice President | Peng Shao-Tseng | | 1,779 | | 108 | | 257 | | | 500 | | | 0.95% | |
| President | Chen Pen-Yuan | | 0 | | 0 | | 0 | | | 2,500 | | | 0.90% | |
| Vice President | Lee Liang-You | | 1,280 | | 25 | | 68 | | | 256 | | | 0.58% | |

2. Please specify and compare the remuneration to directors, supervisors, President and vice presidents of the Company in proportion to the earnings from the Company and companies included in the consolidated financial statements in the latest 2 years, and specify the policies, standards, combinations, procedure of decision-making of remuneration and their relation to business performance.

Unit: NT\$ thousand

| Item \ Year | 2019 | | 2020 | |
|------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
| | Total remuneration | in proportion to earnings (%) | Total remuneration | in proportion to earnings (%) |
| Director | 30,646 | 7.62 | 23,378 | 8.38 |
| President and Vice President | 21,810 | 5.42 | 14,078 | 5.05 |

The total remuneration paid to directors, president and vice presidents in proportion to earnings in 2019 and 2020 was 13.04% and 13.43% respectively. The remuneration was allocated pursuant to the Company's Articles of Incorporation and related payroll regulations. Meanwhile, the Company has established the Remuneration Committee in October 2014, which consisted of the independent directors including Liao Wen-Chi, Yeh Chun-Rong (discharged on February 3, 2020), Lin Chiang-Liang and Chiou, Yyh-Shen and engaged in periodically reviewing and assessing the performance of directors and managers, as well as policies, systems, standards and structures of remuneration, which shall afford to signify the liability and risk borne by them.

IV. Status of corporate governance

(I) Operation of the Board of Directors

The Board has held 6 (A) sessions in 2020, and the attendance of directors is specified as following:

| Job title | Name | Counts of attendance (B) | Counts of attendance by proxy | Actual attendance rate (%) (B)/(A) | Remark |
|----------------------|--|--------------------------|-------------------------------|------------------------------------|----------|
| Chairman of Board | Black Dragon Assets Limited Representative: Chen Pen-Yuan | 6 | 0 | 100% | |
| Director | CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen | 6 | 0 | 100% | |
| Director | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien | 3 | 3 | 50% | |
| Director | Chairman Management Corp. Representative: Kao Chen-Sheng | 6 | 0 | 100% | |
| Director | Lin An-Hsiu | 6 | 0 | 100% | |
| Director | Hsieh Ming-Feng | 6 | 0 | 100% | |
| Independent Director | Yeh Chu-Rong(Note) | 0 | 0 | - | (Note 1) |
| Independent | Lin Chiang-Liang | 6 | 0 | 100% | |

| Director | | | | | |
|----------------------|-----------------|---|---|------|----------|
| Independent Director | Liao Wen-Chi | 6 | 0 | 100% | |
| Independent Director | Chiou, Yyh-Shen | 3 | 0 | 100% | (Note 2) |

Note1 : Independt director, Yeh Chu Rong, resigned on Feb. 3, 2020.

Note2 : Independt director, Chiou, Yyh-Shen took office in the by election of the shareholders' meeting on June 9, 2020

Other notes:

I. Where the operation of the Board of Directors meets any of the following circumstances, please clearly state the meeting date, term, contents of motion, opinions of all independent directors and the Company's handling of said opinions:

(I) The circumstances referred to in Article 14~3 of the Securities and Exchange Act:
None.

December 31,2020

| Date of Board of Directors Meeting | Proposal content and resolution | Opinions of independent directors | The company's handling of independent directors' opinions | Independent directors hold objections or reservations and have records or written statements |
|--|--|-----------------------------------|---|--|
| March 5,2020 9th Directors' Meeting of 5th Term | Cause : Proposal for changing the certified accountants and their remuneration. Resolution:Passed according to the case. ° | | | |
| | Cause : Proposal for the approval of the independency and adaptability assessment on certified accountants of the Company. Resoluton : Passed according to the case. ° | | | |
| | Cause : Proposal for the approval of 2019 Business Report and Consolidated Financial Statement. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for 2019 profit distribution Resolution : Passed according to the case. | | | |
| | Cause : Proposal for 2019 "Statement of Internal Control System" Resolution : Passed according to the case. | | | |
| | Cause : Proposal for loaning of funds between the secondary subsidiaries. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for the subsidiary MJ International Enterprise Corporation within the corporate group to adjust previous contracts and sign new contracts with the bank to invest in the establishment of new factory in Tainan Resolution : Passed according to the case. | | | |
| | Cause : Proposal for the Company to make new end orsements/guarantees and adjust previous endorsements/guarantees for the subsidiary MJ International Enterprise Corporation within the corporate group Resolution : Passed according to the case. | | | |
| May 7,2020 11th Directors' | Cause : Proposal for the raise and issue of the Company's first unsecured conversion of corporate bonds in the Republic of | | | |

| | | | | |
|--|---|--|--|--|
| Meeting of 5th Term | China Resolution : Passed according to the case. | | | |
| June 9,2020 12th Directors' Meeting of 5th Term | Cause : Adjustment of endorsements/guarantees. Resolution : Passed according to the case. | | | |
| August 6,2020 13th Directors' Meeting of 5th Term | Cause : Amendment to the Internal Control System of the Company and the Subsidiaries within the Corporate Group. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for loaning of funds between the secondary subsidiaries. Resolution : Passed according to the case. | | | |
| | Cause : Proposal of the subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation, to make new credit contract with the bank. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation within the corporate group. Resolution : Passed according to the case. | | | |
| November 5, 2020 14th Directors' Meeting of 5th Term | Cause : Proposal for passing the 2021 Business Plan. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for passing the 2021 Internal Audit Plan. Resolution : Passed according to the case. | | | |
| | Cause : Proposal for amendment of "Management Method for Preparation Process of Financial Statement". Resolution : Passed according to the case. | | | |
| | Cause : Capital increase in subsidiary MJ International Enterprise Corporation. Resolution : Passed according to the case. | | | |
| | Cause : Factory land purchase for subsidiary Dongguan Prolong Plastic Products Co., Ltd. Resolution : Passed according to the case. | | | |
| | Cause : Proposal of the subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan), to extend the credit contracts with the bank Resolution : Passed according to the case. | | | |
| | Cause : Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan). Resolution : Passed according to the case. | | | |

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

- II. In instances where a director recused himself/herself due to a conflict of interest, please clearly state the director's name, contents of the motion, reason for conflict of interest and actual voting counts:

| Date of Board of Directors Meeting | Name of the director | Contents of motion | Reason for conflict of interest | Actual voting counts |
|------------------------------------|---|--|--|--|
| March 5, 2020 | Lin Chiang-Liang | Independent Directors' Remuneration Adjustment Proposal | As independent directors Lin Jiangliang and Liao Wenzhi are the interested parties in the case, they were evaded according to law after explaining their interests | recused himself from the discussion and voting pursuant to laws. |
| | Liao Wen-Chi | | | |
| | Black Dragon Assets Limited Representative: Chen Pen-Yuan | Review the motion for distribution of year-end bonus to the Company's Chairman of Board and managers | Due to that the President of Black Dragon Assets Limited(Representative: Chen, Pen-Yuan) is the stakeholder pursuant to the principle in the Year-End Bonus Appropriation by President & Management Measure. | recused himself from the discussion and voting pursuant to laws. |
| | Black Dragon Assets Limited Representative: Chen Pen-Yuan | Motion for remuneration to employees and directors in 2019 | Due to that the President of Black Dragon Assets Limited(Representative: Chen, Pen-Yuan)is the stakeholder of remuneration of Director | recused himself from the discussion and voting pursuant to laws. |
| | CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen | | Due to that the Director of CROWN HARVEST COMPANY LIMITED (Representative: Chen, Chien-Yuen) is the stakeholder of remuneration of Director | recused himself from the discussion and voting pursuant to laws. |
| | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien | | Because the Director of Yuanda Commercial Bank was trusted to custody Duoyun Investment Co., Ltd. (representative: Ho, Ping-Hsien), is the stakeholder of remuneration of Director | recused himself from the discussion and voting pursuant to laws. |
| | Chairman Management Corp. Representative: Kao Chen-Sheng | | Because the Director of CROWN HARVEST COMPANY LIMITED (Representative: Kao, Chen-Sheng) the stakeholder of remuneration of Director. | recused himself from the discussion and voting pursuant to laws. |
| | Lin An-Hsiu | | Because the Director, Lin, An-Hsiu, is the | recused himself from the discussion and |

| | | | | |
|--|-----------------|--|--|--|
| | | | stakeholder of remuneration of Director | voting pursuant to laws. |
| | Hsieh Ming-Feng | | Because the Director, Hsieh, Ming-Feng, is the stakeholder of remuneration of Director | recused himself from the discussion and voting pursuant to laws. |

3. The status of performing self-assessment by the Company's Directors:

The Company has passed the "Performance Assessment Measure by the Board of Directors" on March 5, 2020, and expects to commence it in 2021 Q1. The expected practices related with assessment pursuant to the Measure are stated as follows.

| Cycle of Assessment | Duration | Scope | Method | Item |
|---------------------|--------------------------------------|--------------------|---|--|
| Once a year | January 1, 2020 to December 31, 2020 | Board of Directors | Self-assessment by the Board of Directors | <ol style="list-style-type: none"> 1. The degree engaged in the operation of the Company. 2. Improve the decision-making quality of the Board of Directors. 3. The composition and structure of the Board of Directors. 4. The election and constant advanced program of Director. 5. Internal control. |

- IV. Measures undertaken during the current year and the most recent year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment on their implementation: The Company has established the "Regulations Governing Operation of Board of Directors Meetings" as the guidelines for operation of the Board of Directors meetings. Meanwhile, the Company has resolved at the Board of Directors meeting on October 20, 2014 to establish the Audit Committee and Remuneration Committee, and also disclosed its related information on its website and MPOS pursuant to laws to improve information transparency.

(II) Operation of the Audit Committee

The Committee has held 5 (A) sessions in 2019, and the attendance of independent directors is specified as following:

| Job title | Name | Counts of attendance (B) | Counts of attendance by proxy | Actual attendance rate (%) (B)/(A) | Remark |
|----------------------|------------------|--------------------------|-------------------------------|------------------------------------|--------|
| Independent Director | Yeh Chu-Rong | 0 | 0 | 100% | Note 1 |
| Independent Director | Lin Chiang-Liang | 5 | 0 | 100% | |
| Independent Director | Liao Wen-Chi | 5 | 0 | 100% | |
| Independent Director | Chiou, Yyh-Shen | 3 | 0 | 100% | Note 2 |

Note 1 : Independdt director, Yeh Chu Rong, resigned on Feb. 3, 2020.

Note 2 : Independdt director, Chiou, Yyh-Shen took office in the by election of the shareholders' meeting on June 9, 2020

Other notes:

- I. For resolution(s) passed pursuant to Article 14~5 of the Securities and Exchange Act and any other resolution(s) passed upon approval of more than two-thirds of the whole directors instead of the Audit Committee, please clearly state the meeting date, term, contents of motion and resolution of the Committee, and the Company's handling of the Audit Committee members' opinions: None.

| Audit Committee Meeting Date | Board meeting date | Proposal content and resolution results | The company's handling of the opinions of the audit committee |
|------------------------------|--------------------|--|---|
| March 5, 2020 | March 5, 2020 | Cause : Proposal for changing the certified accountants and their remuneration. Resolution: Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the approval of the independency and adaptability assessment on certified accountants of the Company. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the approval of 2019 Business Report and Consolidated Financial Statement. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for 2019 profit distribution Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for 2019 "Statement of Internal Control System" Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for loaning of funds between the secondary subsidiaries. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the subsidiary MJ International Enterprise Corporation within the corporate group to adjust previous contracts and sign new contracts with the bank to invest in the establishment of new factory in Tainan Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the Company to make new end orsements/guarantees and adjust previous endorsements/guarantees for the subsidiary MJ International Enterprise Corporation within the | All the directors present agreed to pass. |

| | | | |
|------------------|------------------|---|---|
| | | corporate group Resolution : Passed according to the case. | |
| May 7, 2020 | May 7, 2020 | Cause : Proposal for the raise and issue of the Company's first unsecured conversion of corporate bonds in the Republic of China. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| June 9, 2020 | June 9, 2020 | Cause : Adjustment of endorsements/guarantees. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| August 6, 2020 | August 6, 2020 | Cause : Amendment to the Internal Control System of the Company and the Subsidiaries within the Corporate Group. ° Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for loaning of funds between the secondary subsidiaries. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal of the subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation, to make new credit contract with the bank. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation within the corporate group. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| November 5, 2020 | November 5, 2020 | Cause : Proposal for passing the 2021 Business Plan. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for passing the 2021 Internal Audit Plan. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for amendment of "Management Method for Preparation Process of Financial Statement". Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Capital increase in subsidiary MJ International Enterprise Corporation. Resolution : Passed according to the case. ° | All the directors present agreed to pass. |
| | | Cause : Factory land purchase for subsidiary Dongguan Prolong Plastic Products Co., Ltd. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal of the subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan), to extend the credit contracts with the bank. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| | | Cause : Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan). Resolution : Passed according to the case. | All the directors present agreed to pass. |

II. In instances where an independent director recused himself/herself due to a conflict of interest, please clearly state the independent director's name, contents of the motion, reason for conflict of interest and actual voting counts:

| Date of Board of Directors Meeting | Name of the director | Contents of motion | Reason for conflict of interest | Actual voting counts |
|------------------------------------|-----------------------------------|---|--|--|
| March 5, 2020 | Lin Chiang-Liang, Liao Wen-Chi | Independent Directors' Remuneration Adjustment Proposal | As independent directors Lin Jiangliang and Liao Wenzhi are the interested parties in the case, they were evaded according to law after explaining their interests | recused himself from the discussion and voting pursuant to laws. |

III. Communication between independent directors and internal auditing officers as well as CPAs on the Company's financial position and business overview, such as items discussed, means of communication and results, etc.:

(I) Communication between independent directors and internal audit supervisors and Accountants

1. Invite certified public accountants to attend the audit committee at least four times a year, report to the audit committee on the results of the company and its subsidiaries' financial report review and internal control review, and fully communicate whether there are major adjustment entries or legal amendments that have significant impact ; When necessary, hold communication meetings with accountants at any time.
2. In addition to regularly sending audit reports and follow-up reports to independent directors for inspection by the company's internal audit unit, the internal audit supervisor and independent directors will conduct regular meetings at least once a quarter through the audit committee to report on the implementation status of the audit plan and the lack of improvement. And timely reply to directors' questions on various auditing business; in case of major abnormal events, they can convene meetings at any time.
3. Independent directors and certified public accountants communicate on the results of the financial report review and the communication required by relevant laws and regulations, and evaluate and review the independence of the accountants every year.

(II) Summary of communication between independent board of directors and Accountants
The communication between independent directors and accountants is good.

| Audit Committee Meeting Date | Communication focus | Directors' suggestions | Processing execution results |
|------------------------------|---|------------------------|---|
| March 5, 2020 | Independent directors evaluate and discuss the annual remuneration of accountants and the independence and competence of certified accountants. | None | The annual appointment and evaluation of accountants are approved by the Audit Committee and submitted to the Ninth Session of the Fifth Board of Directors on March 5, 2020. |
| | The accountant explained the key audit items of the 2019 consolidated financial report and the audit results of the financial report. | None | The 2019 consolidated financial report was approved by the Audit Committee and submitted to the Ninth Session of the Fifth Board of Directors for discussion on March 5, 2020. |
| May 7, 2020 | The accountant explained the review results of the 2020 first quarter financial report. | None | The consolidated financial report for the first quarter of 2020 was approved by the Audit Committee and submitted to the eleventh meeting of the fifth board of directors on May 7, 2020. |
| August 6, | The accountant explained the | None | The consolidated |

| | | | |
|------------------|---|------|---|
| 2020 | review results of the business report for the second quarter of 2020. | | financial report for the first quarter of 2020 was approved by the Audit Committee and submitted to the 13th report of the fifth session of the board of directors on August 6, 2020. |
| November 5, 2020 | The accountant explained the review results of the 2020 third quarter financial report. The accountant explained the time, check method and key check items of the 2020 financial report check related explanations on corporate governance 3.0. | None | The consolidated financial report for the third quarter of 2020 was approved by the Audit Committee and submitted to the fourteenth meeting of the fifth session of the board of directors on November 5, 2020. Ask the accountant to explain again in the current board of directors |

(III) Summary of the communication between the independent board of directors and the audit supervisor

| Date | Communication focus | Director's Recommendation | Processing execution results |
|-------------------------------------|--|---------------------------|--|
| March 5, 2020 Audit Committee | Report on internal audit business in the Q4 of 2019 Self assessment of internal control in 2019 (statement of internal control system) | None | After reporting to the Audit Committee, the Ninth Report of the Fifth Session of the Board of Directors on March 5, 2020. |
| May 7, 2020 Audit Committee | Report on internal audit business in the Q1 of 2020 | None | After reporting to the Audit Committee, the eleventh Report of the Fifth Session of the Board of Directors on March 5, 2020. |
| August 6, 2020 Audit Committee | Report on internal audit business in the Q2 of 2020 | None | After reporting to the Audit Committee, the thirteenth Report of the Fifth Session of the Board of Directors on March 5, 2020. |
| November 5, 2020 Audit Committee | Report on internal audit business in the Q3 of 2020 2021 audit plan | None | After reporting to the Audit Committee, the fourteenth Report of the Fifth Session of the Board of Directors on March 5, 2020. |

(III) The independent directors will communicate with the CPAs about the audit result of financial reports and issues required by relevant laws, and assess and review the CPAs' independence each year.

(III) Status of corporate governance, deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| I. Has the Company established and disclosed its corporate governance principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies? | ✓ | | The Company has established the “Corporate Governance Best-Practice Principles” as the Company’s basis for operating the corporate governance, and implemented the same strictly. | No material deviation exists. |
| II. Equity structure and shareholders’ equity (I) Does the Company establish the internal operating procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters, and have the procedures implemented accordingly? | ✓ | | (I) The Company designates its spokesperson and deputy spokesperson to handle shareholders’ proposals, doubts and disputes, organizes the shareholders’ meetings pursuant to the Company Act and related laws, and establishes the parliamentary rules for shareholders’ meetings to grant the shareholders appropriate powers. | No material deviation exists. |
| (II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders? | ✓ | | (II) The Company may control the information about variance in shares held by major shareholders and declare the shareholdings pursuant to laws via the professional shareholders service agent. | |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| (III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates? | ✓ | | (III) The Company implements effective risk control pursuant to the related regulations governing internal control and internal audit systems. | |
| (IV) Has the Company established internal policies that prevent insiders from trading securities based on non-public information? | ✓ | | (IV) The Company has established the “Regulations Governing Prevention of Insider Trading” to prevent any misconduct. | |
| III. Composition and responsibilities of the Board of Directors (I) Does the Board of Directors have established diversified policies regulated and implemented substantively according to the composition of the members? | ✓ | | (I) The Board of Directors of the current term consists of 9 directors. The composition thereof has taken into consideration the diversified policies satisfying the Company’s operation, business type and development needs to render benefits for the Company. | No material deviation exists. |
| (II) Whether the Company, in addition to establishing the Audit Committee and Remuneration Committee, pursuant to laws, is willing to establish any other functional committees voluntarily? | | ✓ | (II) Except the Audit Committee and Remuneration Committee, the Company doesn’t establish any other functional committees. Notwithstanding, the Company does | |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| | | | establish the relevant regulations and control mechanism for various operations. In the future, other functional committees will be set up according to needs. | |
| (III) Has the Company established Regulations for Evaluating the Performance of the Board and its Evaluation method, conducted performance evaluation regularly each year, submitted the performance evaluation results to the board and taken the results as a reference for determining the remuneration of individual directors and nomination for re-election? | ✓ | | (III) The board of the Company approved the Regulations for evaluating the performance of the board on March 5, 2020. The performance evaluation will be conducted regularly each year. The evaluation methods include internal self-evaluation of the board, self-evaluation of the members of the board, peer evaluation and evaluation done by entrusting external professional institute. The board of directors self-assessment was conducted in January 2021. | |
| (IV) Whether the company has established regular assessment to the external auditors' independence each year. | ✓ | | (IV) The Company will assess the external auditors' independence each year. Please refer to the notes for details. | |
| IV. Has the TWSE/TPEX listed company established suitable appropriate number of corporate governance personnel, appointed chief corporate governance | ✓ | | The company has dedicated personnel responsible for corporate governance-related matters, handling matters related to the board | No material deviation exists. |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| officer to be in charge of relevant affairs for corporate governance (including but not limited to providing the directors and supervisors with required information to carry out their business, assisting the directors and supervisors on law compliance, handling board meeting and shareholders' meeting related matters in accordance with the law, preparing minutes of board meeting and shareholders' meeting)? | | | of directors and shareholders' meetings, and preparing minutes of the board of directors and shareholders' meetings in accordance with the law. However, the company has not yet designated a director of corporate governance and will be set up in accordance with the company's evaluation of the company's operation and development. | |
| V. Does the Company have established a communication channel for the stakeholders (including but not limited to, shareholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities? | ✓ | | The Company identifies the related stakeholders subject to the degree of dependence between the business administration and internal/external personnel (individuals/juristic persons/groups). The Company has also disclosed the stakeholder section to respond to the questions about stakeholders on the Company's website. | No material deviation exists. |
| VI. Does the Company have commissioned a professional shareholders service agent to handle shareholders' meeting affairs? | ✓ | | The company appointed China Trust Commercial Bank, a professional stock agency, to handle stock affairs and shareholders' meetings. | |
| VII. Information disclosure | | | | |
| (I) Whether the Company has established a website that discloses the information about financial position, business overview and corporate governance? | ✓ | | (I) The Company has set up the official website where the investor section is established to update the Company's | |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|--|---|
| | Yes | No | Summary(Note) | |
| | | | information from time to time. | |
| (II) Whether the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company's website)? | ✓ | | (II) The Company designates dedicated personnel responsible for collecting and disclosing the corporate information and implements the spokesperson system. The investor conferences will also be posted on the Company's website. | |
| (III) Whether the Company announce and declare the annual financial statement within two months at the end of the accounting year and announce and declare the Q1, Q2 and Q3 financial statement and monthly operational status prior to the deadline in the regulation? | | ✓ | (III) The Company announced the Q1, Q2, Q3 and annual financial statement and monthly operation status in advance prior to the regulated deadline. As for annual financial statement, the Company cannot announce it within two months after the end of the accounting year in advance due to the audit schedule of overseas subsidiaries. | |
| VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, | ✓ | | The Company is used to caring employees' benefits, and establishes various management regulations and requirements, such as salary, promotion, rewards and punishments, leave and social insurance, which comply with the local laws and regulations. Employees shall take the health check-up periodically during their | |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)? | | | employment. The Company provides meal allowance or clean and sanitary meals, as well as the dormitory for employees or accommodation allowance, and various subsidies for marriage, funeral, festival, birthday celebration and trips to take care of the employees physically and mentally. Meanwhile, when selecting suppliers, the Company will consider whether the supplier's social responsibility commitment and performance comply with the standard requirements under the SA8000 system as the first priority, and assess their ability if necessary. Upon the assessment, the suppliers considered qualified will be included into the Company's roster of qualified suppliers. The Company will also ask the suppliers to sign the "Supplier Corporate Social Responsibility Commitment Statement" and demand that they should conduct self-assessment on their fulfillment of social responsibility periodically. Meanwhile, the Company also establishes various communication channels for stakeholders to mitigate or prevent potential | |

| Items | Status of operation (Note) | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|----------------------------|----|---|---|
| | Yes | No | Summary(Note) | |
| | | | operational risk. The Company's directors will complete continuing education each year, in hopes of enhancing the functions of the Board of Directors. The company shall take out supervisors and key staff liability insurance with respect to liabilities resulting from the exercise of duties during their terms, to enhance corporate governance. | |
| IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. | ✓ | | The Company has established the "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best-Practice Principles" and "Corporate Social Responsibility Best-Practice Principles", and participated in the corporate governance evaluation for the first time in 2017. The Company sets its improvement plan based on the self-audit report on corporate governance, in hopes of practicing the spirit of corporate governance to the enterprise's culture. | No material deviation exists. |

Note: Accountant's Independence Assessment

| Assessment Item | Assessment results | Is there independence |
|---|--------------------|-----------------------|
| 1. The appointed accountant has no significant financial interest in the company or related companies. | Yes | Yes |
| 2. Appoint an accountant to avoid any inappropriate relationship with the company or related companies. | Yes | Yes |
| 3. The appointment of accountants should ensure that their assistants observe integrity, impartiality and independence. | Yes | Yes |
| 4. The appointed accountant currently or within the last two years has not served as a director, supervisor or manager of the company or affiliated companies, or has a significant influence on the audit case? | Yes | Yes |
| 5. Has the joint certified public accountant of the joint accounting firm to which the accountant belongs has not served as a director or manager of the company or a position that has a significant influence on the audit case within one year? It is also determined that he will not hold the aforementioned related positions during the future audit period. | Yes | Yes |
| 6. The name of the appointed accountant shall not be used by others. | Yes | Yes |
| 7. The appointed accountant shall not have money borrowing from the company or affiliated companies. | Yes | Yes |
| 8. Appointed accountants shall not concurrently operate other businesses that may lose their independence | Yes | Yes |
| 9. The appointed accountant shall not charge any commission related to the business. | Yes | Yes |
| 10. Appointed accountants shall not concurrently hold regular jobs in the company or affiliated companies, and receive a fixed salary. | Yes | Yes |
| 11. The appointed accountant shall not hold the shares of the company or related enterprises. | Yes | Yes |
| 12. The appointed accountant shall not have a joint investment or benefit-sharing relationship with the company. | Yes | Yes |
| Note: In addition to self-assessing the independence of certified accountants, the company has also obtained a declaration of independence issued by accountants | | |

(IV) Describe the composition, duties and operations of the remuneration committee established by the Company, if any:

1. Information about Remuneration Committee members

| Position (Note 1) | Qualifications Name | Have more than 5 years of experience and the following professional qualifications | | | Status of independence (Note 2) | | | | | | | | | | Number of public companies where the person holds the position as a remuneration committee member | Remark |
|----------------------|----------------------------|---|--|---|---------------------------------|---|---|---|---|---|---|---|---|----|---|--------|
| | | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities | Pass the qualification examination with proper licensing by the national government as court judge, prosecutor, attorneys-at-law, certified public accountant or other professional designations required by the business of the Company | With the required work experience in commerce, law, finance, accounting or others required by the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Lin Chiang-Liang | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 | |
| Independent Director | Yeh Chu-Rong (Note 3) | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Independent Director | Liao Wen-Chi | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Independent Director | Chiou Yyh-Shen (Note 4) | ✓ | | | | | | | | | | | | | 1 | |

Note 1: Please specify director, independent director or others.

Note 2: The respective member who meets said qualifications 2 years before assumption of office or at the time of assumption of office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates
- (2) Not a director or supervisor of the Company or an affiliate, unless the person is an independent director appointed by the Company, its parent company, or a subsidiary pursuant to the Act or the local laws and regulations.
- (3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act, (However, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (however, this does not apply, in case where the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).
- (8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company, (however, this does not apply, in case where the specific company or institution holds over 20% but less than 50% of the total number of issued shares of the Company and the

person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).

(9) Not a professional who provides auditing, nor a professional who provides commercial legal, financial, accounting, or consulting services to the Company or its affiliates with the cumulated remuneration within the last two years less than NT\$500,000, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such service to the Company or its affiliates, however, this does not apply for members of compensation committee, public acquisition audit committee or special committee for merger who exercise power in accordance with relevant laws and regulations in Securities and Exchange Act or Business Mergers and Acquisitions Act.

(10) Not been a person of any conditions defined in Article 30 of the Company Act.

Note 3 : Independent director, Yeh Chu Rong, resigned on Feb. 3, 2020.

Note 4 : Independent director, Chiou, Yyh-Shen took office in the by election of the shareholders' meeting on June 9, 2020

2. Operation of the Remuneration Committee

- I. The Company's Remuneration Committee consists of 3 members.
- II. The term of office to be served by the current members: From September 5, 2018 to September 4, 2021. The Remuneration Committee has held 4 (A) meeting in the most recent year, and the members' qualification and attendance are summarized as follows:

| Job title | Name | Counts of attendance (B) | Counts of attendance by proxy | Actual attendance rate (%) (B)/(A)(Note1) | Remark |
|-----------|------------------|--------------------------|-------------------------------|---|---------|
| Convener | Liao Wen-Chi | 4 | 0 | 100% | |
| Member | Liao Wen-Chi | 4 | 0 | 100% | |
| Member | Lin Chiang-Liang | 4 | 0 | 100% | |
| Member | Yeh Chu-Rong | 0 | 0 | - | (Note2) |
| Member | Chiou, Yyh-Shen | 2 | 0 | 100% | (Note3) |

Other notes:

- I. If the Board of Directors does not adopt or amend the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reason): None.
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.

Note1 :

- (1) Where any of the Remuneration Committee members may be relieved from duties before the end of the fiscal year, specify the date of discharge in the "Remark" section. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each member's term and the counts of the member's actual attendance to the meetings.
- (2) Where a reelection may be held for filling the vacancies of the Remuneration Committee members before the end of the fiscal year, please list both the new and the discharged members, and specify if they are the former members, or newly elected, re-elected and the date of the reelection in the "Remark" section. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each

member's term and the counts of the member's actual attendance to the meetings.

Note2 : Independt director, Yeh Chu Rong, resigned on Feb. 3, 2020.

Note3 : Independt director, Chiou, Yyh-Shen took office in the by election of the shareholders' meeting on June 9, 2020

| Remuneration Committee Meeting Date | Board meeting date | Proposal content and resolution results | The company's handling of the opinions of the Remuneration Committee |
|-------------------------------------|-----------------------------------|---|--|
| March 5,2020 3th of 3th Term | March 5,2020 9th of 5th Term | Cause : Proposal for appointing senior managers of the Company Resolution : Passed according to the case. | All the directors present agreed to pass. |
| March 11,2020 4th of 3th Term | March 11,2020 10th of 5th Term | Cause : Proposal for not renewing the labor contract with the senior managers Resolution : Passed according to the case. ° | All the directors present agreed to pass. |
| June 9,2020 5th of 3th Term | June 9,2020 12th of 5th Term | Cause : Application for retirement of Chiang Tze-Hua, General Manager. Resolution : Passed according to the case. Cause : Termination for labor contract with the senior managers Department. Resolution : Passed according to the case. | All the directors present agreed to pass. |
| August 6,2020 6th of 3th Term | August 6,2020 13th of 5th Term | Cause : Appointment of senior managers of the company. Resolution : Passed according to the case. | All the directors present agreed to pass. |

(V) Fulfillment of corporate social responsibility:

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| I. Whether the Company conduct risk assessment on environmental, social and corporate governance issues related to business operations of the Company in accordance with the concept of materiality and established relevant risk management policies or strategies? | ✓ | | I. The Board of the Company approved “Corporate Social Responsibility Best Practice Principles” and has faithfully implemented it. The Company has complied with relevant environmental regulations and relevant international principles, appropriately protected | No material deviation exists. |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| | | | <p>the natural environment and devoted in achieving the objectives for sustainable environment when conducting business activities and internal management.</p> <p>The Company has complied with relevant regulations to protect social welfare and international convention for human rights, such as gender equality, work rights and prohibition against discrimination.</p> <p>The Company will enhance the transparency disclosing corporate social responsibility information.</p> | |
| II. Whether the Company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the board of directors to be managed by the high-level management and reports to the board of directors? | ✓ | | II. The general manager's office is the dedicate (concurrent) unit to be in charge of promoting corporate social responsibility. Regarding the economic, environment and social issues resulted from the business activities, the board of directors authorized the senior management to handle and report to the board of directors about the implementations. | No material deviation exists. |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| III. Environment topic (I) Whether the Company has established the suitable environment management policies and procedures in accordance with its own manufacture features? | ✓ | | (I) The Company's china production base has got the certificate from ISO14001 and the china environment label. The whole production process is in accordance with the environment production regulation 。 The company also got the green lable for our product ,it means the whole production process is low-environment risk 。 | No material deviation exists. |
| (II) Whether the Company has upgraded the efficiency for all kind of resource and taken the green material into production ? | ✓ | | (II) The Company has put great effort to material usage and energy .The company will take the recycle into the all production process and reduce the waste in process. | |
| (III) Whether the Company takes a assessment to the current and future potential risk and chance from the climate change?Whether the Company take some actions to face the climate change? | ✓ | | (III) The Company has always reduced the effects to environment and the changes to climate during the production process 。 | |
| (IV) Wheter the Company conduct statistics on the emission of greenhouse gas, water consumption volume and the total waste weight in the past two years and developed policies for energy-saving, reduction on greenhouse gas, water consumption volume or management of other wastes? | | ✓ | (IV) Though the Company did not make statistics on the emission of greenhouse gases, the Company paid attention in environment protection matters during the production process: reasonable use and control of raw | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| | | | materials from source, energy and other resources, reduction of wastes and emission of pollution, enhancement on the use of regenerated and recycled resources, maintenance of various pollution emission value of machines and equipment in factory under the emission value in the regulation, including water, air, sound pollution, etc. The inspection reports each year were inspected and approved by the competent authority of the production place, AQSIQ of China. | |
| IV 、Social Issues | | | | |
| (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? | ✓ | | (I)All subsidiaries of the company have established working rules and complete human resource management rules in accordance with relevant laws of local governments to protect the rights and interests of employees. The basic wage, working hours, vacation, pension payment, labor and health insurance payment, occupational disaster compensation, etc. for the hired labors of the Company are complied with relevant regulations. | |
| (II) Has the Company established and implemented reasonable | ✓ | | (II) The Company cared about employees' welfare | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| employee welfare measures (including remuneration, vacations and other welfares, etc.) and reflected management performances or outcomes on employees' remuneration? | | | and has stipulated various management regulations and rules, such as salary, promotion, award, vacation, and social insurance, which complied to local regulations. Moreover, the Company provided various subsidies for employees' weddings, funerals, child births, celebrations as well as birthday celebration and travel to actively take actions in caring employees' physical and mental health. | |
| (III) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees? | ✓ | | (III)The Company valued employees' work environment, safety and health and regularly arranged health examination for employees to take on the responsibility of caring employees' safety and health. | |
| (IV) Has the Company developed an effective training program for employees? | ✓ | | (IV)The Company conducts trainings for employees every year to increase competitiveness in their competency. | |
| (V) Regarding the health and safety of products and services, customers' privacy, marketing and labelling, has the Company complied with relevant regulations and international principles and developed relevant policy and compliant procedure to protect consumers' rights and interests? | ✓ | | (V) Marketing and labelling of the products and services of the Company have complied with relevant regulations and principles of the industries. The Company ensured good quality through procurement acceptance and final product inspection procedures. | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| (VI) Has the Company established management policy for suppliers and asked the suppliers to comply with environmental friendly, occupational safety or labor rights and present its implementations? | ✓ | | <p>Moreover, the Company stipulated Regulation for Handling Customers' Complaint to maintain a good communication channel with the customers, provide transparent and effective after-sales services on the products to ensure consumers' rights and interests.</p> <p>(VI)The Company evaluated the corresponding suppliers of the Company in accordance with "Procedures Evaluating Suppliers". The contract between the Company and the supplier did not include the articles stating that the Company may terminate or cancel the contract at all times if the supplier violated its corporate social responsibility policy and caused significant impact on the environment and society. However, when signing contract with the suppliers, the Company also requested them to sign "Suppliers' Commitment to Implement Social Responsibilities" and "A Letter from SAF-004 to Interested Parties". In addition, the Company regularly re-evaluates the corresponding suppliers in accordance with the provisions in "Procedures</p> | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| | | | Evaluating Suppliers”. If discovered that the suppliers had the aforementioned situations, the Company will not select the suppliers who do not pay attention to corporate social responsibilities. | |
| V. Has the Company referenced the international principles or guidelines for preparing generalized report to prepare its non-financial reports such as corporate social responsibility reports? Has the Company obtained confirmation or guarantee opinions from third-party verification agencies regarding the aforementioned report? | | ✓ | V. Though the Company did not prepare corporate social responsibility report verified by third party verification unit, the Company reference the spirit of Principles or Guidelines for Preparing Reports of International Generic Use to conduct relevant operations, including the acquisition of SA8000 certificate: The primary consideration for the Company to select suppliers is whether their commitment and the performance on social responsibility complied to the standard requirement in SA8000 system; green production: Reasonable use and control of the raw materials from the source, energy and other resources, reduction on wastes and pollution emission; Green certification: The Company was approved by multiple international inspection | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|--|--|
| | Yes | No | Summary (Note 2) | |
| | | | standards and certification for our production factories and products in the past years. | |
| VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None. | | | | |
| VII.. Other information material to the understanding of the corporate social responsibility: <ol style="list-style-type: none"> 1. Pass SA8000 certification: When selecting suppliers, the Company will consider whether the supplier's social responsibility commitment and performance comply with the standard requirements under the SA8000 system as the first priority. Upon the assessment, the suppliers considered qualified will be included into the Company's roster of qualified suppliers. 2. Green manufacturing: Control the reasonable use of source raw materials, energy and other resources, reduce waste and pollutant emissions, strengthen the use of renewable and recoverable resources, and have the emission pollution values of factory machine and equipment comply with the standards, including water, air and noise pollution, etc.. The annual test report would pass the inspection by the competent authority in the country of origin, National Quality Standard Bureau of the PRC. 3. Green products: The PVC flooring refers to the product that can be environmental-friendly and recyclable. The research and development orientation about the product also focuses on the three pollution-free environmental friendly products, namely "non-PVC", "green construction materials" and "biodegradable". 4. Green certification: In the past years, the Company's factories and products have passed multiple international inspection standards and certification, including ISO 9001, ISO14001, SA8000, EN, BRE, Floor Score, Green Guard ,BV, CSTB and the Green Tag Certificate from Ministry of Interior of the R.O.C., and SGS, CSTB, ASTM, BG and CNS for the products. In conclusion, the Company provides consumers with excellent products, values human rights, cares the society and uses its best efforts to engage in the public welfare. | | | | |

(VI) Fulfillment of ethical corporate management and adoption of related measures:

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>I. Enactment of ethical corporate management policy and program</p> <p>(I) Does the Company establish ethical management policy approved by the board of directors and express its ethical management policy, measures in its regulations and external documents and do the board of directors and senior management actively implement the commitment to management policy?</p> | ✓ | | (I) The Company has established the “Ethical Corporate Management Best-Practice Principles and “Operating Procedure for Ethical Corporate Management and Guidelines of Conduct”, which were also passed by the Board of Directors. | No material deviation exists. |
| <p>(II) Does the Company establish risk assessment system for the unethical behaviors, regularly analyze and assess business activities with higher risks of unethical behaviors within its business scope and establish prevention programs against unethical behaviors and cover at least all the acts in Article 7 (2) of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?</p> | ✓ | | (II) The Company has established the work rules for the its employees, as the guides and regulations to be followed by the employees when engaging in the Company’s operating activities to stop any misconduct. | |
| <p>(III) Does the Company stipulate operational procedure, code of conduct, violation penalties and complaint systems in the prevention programs against unethical behaviors, implement faithfully and review and revise the aforementioned program regularly?</p> | ✓ | | (III) In order to ensure the fulfillment of ethical management, the Company has established the effective accounting system and internal control system. The internal auditors shall also conduct an audit on the compliance thereof periodically. | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>II. Fulfillment of ethical corporate management</p> <p>(I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p> | ✓ | | (I) The Company has established the assessment procedure with respect to trading customers and suppliers, and both parties' right and obligation would be expressly stated in the contract signed by the Company with the customers and suppliers. | No material deviation exists. |
| (II) Has the Company set up a dedicated unit to promote corporate ethical management under the board of directors which reports ethical management policy and prevention programs against unethical behaviors and supervision and implementation situations regularly (at least once a year)? | ✓ | | (II) The Company has its Document Management Department act as the dedicated unit (concurrently engaged in) to promote the corporate ethical management, and report the execution thereof to the Board of Directors periodically. | |
| (III) Whether the Company has established any policy against conflict of interest, provided adequate channel thereof, and fulfilled the same precisely? | ✓ | | (III) The Company's employees may report any conflict of interest to their immediate supervisors, or to the members of the Chairman Office. | |
| (IV) Has the Company established an effective accounting system and internal control system for the implementation of integrity management and the internal audit unit has proposed relevant audit plans in accordance with the evaluation results on the risks of the unethical behaviors and audit the compliance to the prevention programs against them accordingly or implement the | ✓ | | (IV) The Company has established its audit plan. The responsible personnel would conduct the audit per the plan. In the case of any special condition, the Company will arrange the special audit. | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|------------------------------|----|---|---|
| | Yes | No | Summary | |
| audit by entrusting accountants? | | | | |
| (V) Whether the Company organizes internal/external education training program for ethical management periodically? | ✓ | | (V) The importance of ethical management would be reported at the Company's management meetings from time to time. | |
| III. Status of the Company's whistleblowing system | | | | No material deviation exists. |
| (I) Whether the Company has defined a specific whistleblowing and reward system, and established some convenient whistle-blowing channels, and assigned competent dedicated personnel to deal with the situation? | ✓ | | (I) Encourage internal and external personnel to report unethical conduct or misconduct, and according to the circumstances of the whistleblowing cases, award the bonus; if internal personnel have false reports or malicious allegations, they should be disciplined and dismissed if the circumstances are considered serious. | |
| (II) Has the Company set up standard investigation procedures, subsequent measures after the completion of the investigations and a related confidentiality mechanism for the matter being reported? | ✓ | | (II) The intranet set up and published the internal independent whistleblowing mailbox. The personnel dedicated to processing the whistleblowing cases shall keep the whistleblower's identity and contents of accusation in confidence. The dedicated unit shall adopt the following procedures: 1. The whistleblowing cases involving the general employees shall be reported to the department heads. The whistleblowing cases involving directors or | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|------------------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>senior management shall be reported to the independent directors or Audit Committee.</p> <p>2. The dedicated unit and the supervisors or personnel receiving the report referred to in the preceding subparagraph shall verify the truth immediately. The compliance or other related departments shall provide assistance, if necessary.</p> <p>3. Where the whistleblowing case is proven to be true upon investigation, the Company's related unit will be ordered to review the related internal control system and operating procedures, and provide the corrective actions to stop the same misconduct from arising again.</p> <p>4. The Company's dedicated unit shall report the whistleblowing case, the resolution and followup review and corrective actions to the Board of Directors.</p> | |
| (III) Whether the Company has adopted any measures to prevent the whistleblowers from being treated inadequately after whistleblowing the case? | ✓ | | (III) The Company undertakes that the whistleblowers will never be treated inadequately because of the whistleblowing case. | |

| Items | Status of operation (Note 1) | | | Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|------------------------------|----|---|---|
| | Yes | No | Summary | |
| IV. Enhancing Information Disclosure (I) Whether the Company has disclosed the Ethical Corporate Management Best-Practice Principles and effect of implementation thereof on its website and MOPS? | ✓ | | The Company has disclosed the “Ethical Corporate Management Best-Practice Principles and “Operating Procedure for Ethical Corporate Management and Guidelines of Conduct” on its website. | No material deviation exists. |
| V. If the Company has established its own ethical corporate management principles in accordance with "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None. | | | | |
| VI. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Company): None. | | | | |

(VII) If the Company has established corporate governance principles and other relevant guidelines, references to such principles must be disclosed: The Company has established its “Corporate Governance Best-Practice Principles”. Please access the same on the Company’s website (at <http://www.mjig.com>), investors relations/corporate governance/important internal regulations, or the MOPS (<http://mops.twse.com.tw>) “Corporate Governance”/rules for establishment of corporate governance.

(VIII) Other information enabling better understanding of the Company’s corporate governance: None.

(IX) The following shall be disclosed with the execution of internal control system:

1. Statement of Declaration for Internal Control System

M.J. International Co. Ltd.

Statement of Declaration for Internal Control System

Date: March 11, 2021

The following statement of declaration has been made based on the 2020 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria adopted by the "Regulations" consist of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk assessment; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. For said sub-elements, please see the "Regulations".
- IV. The Company has adopted said criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the auditing findings referred to in the preceding paragraph, the design and implementation of the Company's internal control system (including supervision and control over its subsidiaries) on December 31, 2020, including the achievement of operating results and efficiency, reliability of financial statements and compliance with laws, is considered effective and able to provide reasonable assurance on achievement of said objectives.
- VI. The Statement constitutes the summary content of the Company's Annual Report and Prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of said disclosures shall bear the legal liability against violations of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act.
- VII. The Statement was passed unanimously without objection by all 8 Directors present at the directors' meeting dated March 11, 2021.

M.J. International Co. Ltd.
Chairman of Board: Chen Pen-Yuan
President: Chen Pen-Yuan

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: none
- (X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, please disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.
- (XI) Important resolutions of shareholders' meetings and directors' meetings during the most recent year and up to the date of publication of this annual report:
- Important resolutions of shareholders' meetings in 2019, and status of implementation thereof:
1. Important resolutions of shareholders' meetings, and status of implementation thereof:
 - (1) Shareholders' meetings and special shareholders' meetings in 2019

| | |
|--------------------------------------|---|
| 20200609 Shareholders' meeting | <ol style="list-style-type: none"> 1. The Company's 2019 Business Report and Consolidated Financial Statement 2. Proposal for distribution of profits in 2019 3. Amendment to Memorandum of Organization and Articles of Incorporation 4. Amendment to Rules of Procedure for Shareholders' Meeting 5. To select a new Independent Director to fill the vacancy. |
|--------------------------------------|---|

A. Shareholders meeting in 2020:

1. Motion: The Company's 2019 Business Report and Consolidated Financial Statement
 Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
 Status of implementation: Completed per the resolution of the shareholders' meeting.
2. Motion: Proposal for distribution of profits in 2019
 Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
 Status of implementation: Completed per the resolution of the shareholders' meeting.
3. Motion: Amendment to Memorandum of Organization and Articles of Incorporation
 Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
 Status of implementation: Completed per the resolution of the shareholders' meeting.
4. Motion: Amendment to Rules of Procedure for Shareholders' Meeting
 Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
 Status of implementation: Completed per the resolution of the shareholders' meeting.
5. Motion: To select a new Independent Director to fill the vacancy.
 Status of implementation: Has been voted by shareholders.

2. Important resolutions of directors' meetings

| Date | Name of meeting | Motion |
|------------------|-------------------------------------|--|
| May 7, 2020 | 11th Directors' Meeting of 5th Term | <ol style="list-style-type: none"> 1. Due to the impact of epidemic, Chairman was authorized to have full authority to change the shareholders' meeting place if needs. 2. Proposal for amendment to "Code of Conduct and Corporate Social Responsibility". 3. Amendment to "Code of Corporate Governance". 4. Proposal for the raise and issue of the Company's first unsecured conversion of corporate bonds in the Republic of China. |
| June 9, 2020 | 12th Directors' Meeting of 5th Term | <ol style="list-style-type: none"> 1. Application for retirement of Chiang Tze-Hua, General Manager . 2. Termination for labor contract of Du Jiangling, Director of Domestic Sales Department. 3. Proposal for amendment to "Method of Seal Management". 4. Adjustment of endorsements/guarantees. |
| August 6, 2020 | 13th Directors' Meeting of 5th Term | <ol style="list-style-type: none"> 1. Amendment to "Rules of Procedure for Board of Directors Meetings". 2. Amendment to "Method of Director Selection". 3. Amendment to "Rules of Procedure for Board of Directors Meetings". 4. Amendment to "Audit Committee Charter". 5. Amendment to "Remuneration Committee Charter". 6. Amendment to the Internal Control System of the Company and the Subsidiaries within the Corporate Group. 7. Proposal for loaning of funds between the secondary subsidiaries. 8. Proposal of the subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation, to make new credit contract with the bank. 9. Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation within the corporate group. 10. Appointment of senior managers of the company. |
| November 5, 2019 | 14th Directors' Meeting of 5th Term | <ol style="list-style-type: none"> 1. Proposal for passing the 2021 Business Plan. 2. Proposal for passing the 2021 Internal Audit Plan. 3. Proposal for amendment of "Management Method for Preparation Process of Financial Statement". |

| | | |
|----------------|------------------------------------|---|
| | | <ol style="list-style-type: none"> 4. Capital increase in subsidiary MJ International Enterprise Corporation. 5. Factory land purchase for subsidiary Dongguan Prolong Plastic Products Co., Ltd. 6. Proposal of the subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan), to extend the credit contracts with the bank. 7. Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan). 8. Proposal for investment in Jilin Changchun V-SPC company.. |
| March 11, 2021 | 15th Directors Meeting of 5th Term | <ol style="list-style-type: none"> 1. Proposal for 2020 “Statement of Internal Control System”. 2. Proposal for amendment to “Management Method of Derivative Commodity Trading”. 3. Proposal for the approval of 2020 Business Report and Consolidated Financial Statement. 4. Proposal for 2020 profit distribution. 5. Proposal of the subsidiaries, Opulent International Group Limited, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation, to make new credit and extend the credit contracts with the bank. 6. Proposal for the Company to make new endorsements/guarantees and adjust previous endorsements/guarantees for the subsidiary MJ International Enterprise Corporation, Opulent International Group Limited, Opulent International Group Limited (Taiwan). 7. Proposal for loaning of funds between the secondary subsidiaries. 8. Proposal for remuneration of employees and directors in 2020. 9. Proposal for distributing the annual bonus to the chairman and managers. 10. Proposal for remuneration approval of certified accountants. 11. Proposal for approval of the independency and adaptability assessment on certified accountants. 12. “Actual Economic Statement Declaration” and “Annual Return” of Cayman Islands. 13. Proposal for 2021 Total Amount of Derivative Commodity Trading. 14. Investment and establishment of a warehouse |

| | | |
|--|--|---|
| | | <p>in the United States.</p> <p>15. Investment in Jilin Changchun V-SPC Company.</p> <p>16. The board of directors is proposed to review the list of directors (including independent directors) nominated for full re-election.</p> <p>17. Proposal for the board of directors to review the list of directors (including independent directors) nominated for full re-election.</p> <p>18. Proposal for relevant matters to 2021 Shareholders' Meeting.</p> |
|--|--|---|

(XII) The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.

(XIII) The resignation situation of the company's chairman, general manager, chief of accounting dept., chief of finance department, chief of internal audit office and chief of R&D dept. during the recent years and up to the date of publication of the annual report: the President and head of the R&D department , Jiang Zihua, , retired on June 9, 2020.

Organization Sheet for the resignation situation on the relevant people of the Company

April,5,2021

| Title | Name | Date on board | Date of discharge | Reason for resignation or dismissal |
|----------------------------|----------------|---------------|-------------------|-------------------------------------|
| President | Chiang Tze-Hua | June 1, 2013 | June 9 , 2020 | Retired |
| Head of the R&D department | Chiang Tze-Hua | June 1, 2013 | June 9 , 2020 | Retired |

V. Information about Independent Auditor Fees:

(I) Information about Independent Auditor Fees

| Name of CPA Firm | Name of CPA | | Audit period | Remark |
|------------------|-------------------|---------------|-----------------------|--------|
| Deloitte Taiwan | Chen Chiang-Shiun | Chen Chao-Mei | 20200101~ 20201231 | |

Unit: NT\$ thousand

| Amount range | | Fee items | Audit fees | Non-audit fees(Note) | Total |
|--------------|--|-----------|------------|----------------------|-------|
| 1 | Less than NT\$2,000,000 | | | 772 | 772 |
| 2 | NT\$2,000,000(inclusive) ~ NT\$4,000,000 | | 3,850 | | 3,850 |
| 3 | NT\$4,000,000(inclusive) ~ NT\$6,000,000 | | | | 4,622 |
| 4 | NT\$6,000,000(inclusive) ~ NT\$8,000,000 | | | | |
| 5 | NT\$8,000,000(inclusive) ~ NT\$10,000,000 | | | | |
| 6 | More than NT\$10,000,000 (inclusive) | | | | |

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

| Name of CPA Firm | Name of CPA | Audit fees | Non-audit fees | | | | | Independent Auditor's Audit Period | Remark |
|------------------|-------------------|------------|----------------|-----------------------|----------------|---------------|----------|------------------------------------|---|
| | | | System Design | Business Registration | Human Resource | Others (Note) | Subtotal | | |
| Deloitte Taiwan | Chen Chiang-Shiun | 3,850 | | 222 | | 550 | 772 | 201200101 ~ 20201231 | Other audit fees include the fees for transfer pricing report and master files. |
| | Chen Chao-Mei | | | | | | | | |

(Note): Other audit fees include the fees for transfer pricing report and master files

- (III) In the case of change of CPA firm and the audit fees for the year of the change less than that of the previous year, please disclose the amount of audit fees before and after the change, and reasons of the change: N/A.
- (IV) In the case of any reduction in audit fees by more than 15% compared to the previous year, please disclose the amount, the percentage and reason of such variation: N/A.

VI. Information about replacement of CPA: Cooperating with the internal rotation of Deloitte & Touche, the CPAs of the Company were changed starting from Q1 2020 where CPAs, Chen, Chiang-Shiun and Chen, Chao-Mei, served as the CPA of the Company Now.

- VII. Name of the CPA firm or its affiliates at which the Company's Chairman, President, or managers responsible for financial or accounting matters was an employee over the past year: None.
- VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10 percent in the most recent year and until the date of publication of the annual report:

(I) Change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10 percent:

| Job title | Name | 2020 | | Ended on 2020 April 5 | |
|---|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Chairman of Board | Black Dragon Assets Limited | - | - | - | - |
| Representative | Chen Pen-Yuan | - | - | - | - |
| Director/shareholder with a stake of more than 10 percent | CROWN HARVEST COMPANY LIMITED | - | - | - | - |
| Representative | Chen Chien-Yuen | - | - | - | - |
| Director | Chairman Management Corp.. | - | - | - | - |
| Representative | Kao Chen-Sheng | - | - | - | - |
| Director | Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | - | - | - | - |
| Director | Lin An-Hsiu | 335,000 | 0 | 49,000 | - |
| Director | Hsieh Ming-Feng | - | - | - | - |
| Independent Director | Yeh Chu-Rong (Resigned : Feb 3,2020) | - | - | - | - |
| Independent Director | Lin Chiang-Liang | - | - | - | - |
| Independent Director | Liao Wen-Chi | - | - | - | - |
| Independent Director | Chiou, Yyh-Shen (Take office:June 9,2020) | - | - | - | - |
| President | Chiang Tze-Hua (Resigned:June 30,2020) | - | - | - | - |
| Vice President | Liu Chiao-Lu | - | - | - | - |
| Vice President | Peng Shao-Tseng | - | - | - | - |
| Vice President | Li Liang-You | - | - | - | - |
| Vice President | Ho Chiang- Chun (Take office:July 10,2020) | - | - | - | - |
| Special Assistant to Chairman | Ssu Ta-Yun (Take office:July 10,2020) | - | - | - | - |
| Special Assistant to Chairman | Chang Chih- Tai (Take office:July 10,2020) | - | - | - | - |
| Vice President | Chen Jong-Wu (Take office:July 10,2020) | - | - | - | - |

(II) Information about the counterpart in any transfer of the equity who is a related party:None

(IV) Information about the counterpart in any pledge of the equity who is a related party: None.

IX.Information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, in terms of shareholdings:

| Name | Shareholding by oneself | | Quantity of shares held by their spouses and minor children | | Total quantity of shares held under another person's name | | Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships: | | Remark |
|---|-------------------------|--------------|---|--------------|---|--------------|---|---|--------|
| | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Designation (or name) | Relationship | - |
| CROWN HARVEST COMPANY LIMITED | 12,204,000 | 18.47 | - | - | - | - | - | - | - |
| Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | 7,779,000 | 11.78 | - | - | - | - | - | - | - |
| Black Dragon Assets Limited Representative : Chen Pen-Yuan | 4,478,400 | 6.78 | - | - | - | - | ALPHA MARVEL CORPORATION | The representative has spousal relationship with him/her. | - |
| | | | | | | | MAGIC VISION DEVELOPMENT LTD | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | ACCORD SKY INVESTMENTS CO., LTD. | The representative is relative of 1st degree of kinship. | - |
| Chairman Management Corp. | 3,999,000 | 6.05 | - | - | - | - | - | - | - |
| ALPHA MARVEL CORPORATION Representative : Lo Fong-Chu | 2,797,200 | 4.23 | - | - | - | - | Black Dragon Assets Limited | The representative has spousal relationship with him/her. | - |
| | | | | | | | MAGIC VISION DEVELOPMENT LTD | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | ACCORD SKY | The representative | - |

| Name | Shareholding by oneself | | Quantity of shares held by their spouses and minor children | | Total quantity of shares held under another person's name | | Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships: | | Remark |
|--|-------------------------|--------------|---|--------------|---|--------------|---|--|--------|
| | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Designation (or name) | Relationship | - |
| | | | | | | | INVESTMENTS CO., LTD. | ve is relative of 1st degree of kinship. | |
| MAGIC VISION DEVELOPMENT LTD Representative : Chen Chun-Chi | 2,797,200 | 4.23 | - | - | - | - | Black Dragon Assets Limited | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | ALPHA MARVEL CORPORATION | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | ACCORD SKY INVESTMENTS CO., LTD. | The representative is a relative of 2nd degree of kinship. | - |
| ACCORD SKY INVESTMENTS CO., LTD. Representative : Chen I-Hsiu | 2,131,200 | 3.23 | - | - | - | - | Black Dragon Assets Limited | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | ALPHA MARVEL CORPORATION | The representative is relative of 1st degree of kinship. | - |
| | | | | | | | MAGIC VISION DEVELOPMENT LTD | The representative is a relative of 2nd degree of kinship. | - |
| FLAME POWER ENTERPRISES CORPORATION | 1,480,000 | 2.24 | - | - | - | - | Lin An-Hsiu | The representative is relative of 1st degree of kinship | - |
| Wei Chung Development CO., Limited | 1,471,000 | 2.23 | | | | | | | |
| Lin An-Hsiu | 1,370,500 | 2.07 | | | | | FLAME POWER | The representative | |

| Name | Shareholding by oneself | | Quantity of shares held by their spouses and minor children | | Total quantity of shares held under another person's name | | Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships: | | Remark |
|------|-------------------------|--------------|---|--------------|---|--------------|---|---|--------|
| | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Quantity of shares | Shareholding | Designation (or name) | Relationship | - |
| | | | | | | | ENTERPRISE S CORPORATI ON | ve is relative of 1st degree of kinship | |

- X. The shareholdings of the Company, the Company's directors, supervisors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company and also, the consolidated comprehensive shareholding ratio: None.

Four. Financing Status

I. Capital and Stock

(I) Total shares

1. Formation of capital stock:

March 31, 2021; Unit: Thousand shares; NT\$ thousand

| Year/Month | Issue price | Authorized capital stock | | Paid-in capital | | Remark | | |
|--------------|-------------|--------------------------|-----------|--------------------|---------|---------------------------------------|--|--------|
| | | Quantity of shares | Amount | Quantity of shares | Amount | Source of capital stock | Investment by properties other than cash | Others |
| October 2010 | NTD 10 | 50,000 | 500,000 | 50,000 | 500,000 | Capital of incorporation | - | - |
| August 2013 | NTD 10 | 150,000 | 1,500,000 | 55,500 | 555,000 | Recapitalization from earnings | - | - |
| August 2013 | NTD 28.50 | 150,000 | 1,500,000 | 56,019 | 560,190 | Recapitalization from employees bonus | - | - |
| August 2013 | USD 0.775 | 150,000 | 1,500,000 | 58,719 | 587,190 | Cash capital increase | - | - |
| October 2016 | NTD 82.8 | 150,000 | 1,500,000 | 66,059 | 660,590 | Cash capital increase (Note) | - | - |

Note: No. 10517038501 dated September 21, 2016

2. Total issued shares

March 31, 2021 Unit: shares

| Type of stock | Authorized capital stock | | | Remark |
|--------------------------|---------------------------|-----------------|-------------|--------|
| | Outstanding shares (Note) | Unissued shares | Total | |
| Registered common shares | 66,059,000 | 83,941,000 | 150,000,000 | |

Note: Listed company's stock

3. Information relevant to the aggregate reporting policy: None.

(II) Shareholders' structure

April 5, 2021 Unit: shares

| Shareholders' structure | Government agencies | Financial institutions | Other institutions | Foreign institutions and foreigners | Individual | Treasury stock | Total |
|-------------------------|---------------------|------------------------|--------------------|-------------------------------------|------------|----------------|------------|
| Number of person(s) | 0 | 1 | 20 | 26 | 1,395 | 0 | 1,442 |
| Quantity of shares held | 0 | 712,000 | 197,000 | 40,414,000 | 24,736,000 | 0 | 66,059,000 |
| Shareholding % | 0.00% | 1.08% | 0.30% | 61.17% | 37.45% | 0.00% | 100.00% |

Note: The percentage of investment by Mainland China in the Company was 0%.

(III) Status of equity dispersion:

(1) Common shares

April 5, 2021 Unit: shares

| Shareholding class | Number of shareholders | Quantity of shares held | Shareholding % |
|---------------------|------------------------|-------------------------|----------------|
| 1-999 | 101 | 8,266 | 0.01% |
| 1,000-5,000 | 962 | 1,940,160 | 2.94% |
| 5,001-10,000 | 155 | 1,204,704 | 1.82% |
| 10,001-15,000 | 54 | 694,008 | 1.05% |
| 15,001-20,000 | 34 | 628,008 | 0.95% |
| 20,001-30,000 | 34 | 878,120 | 1.33% |
| 30,001-40,000 | 17 | 611,016 | 0.92% |
| 40,001-50,000 | 13 | 600,794 | 0.91% |
| 50,001-100,000 | 21 | 1,564,039 | 2.37% |
| 100,001-200,000 | 10 | 1,378,311 | 2.09% |
| 200,001-400,000 | 11 | 2,999,277 | 4.54% |
| 400,001-600,000 | 9 | 4,526,000 | 6.85% |
| 600,001-800,000 | 9 | 6,435,797 | 9.74% |
| 800,001-1,000,000 | 1 | 843,000 | 1.28% |
| More than 1,000,001 | 11 | 41,747,500 | 63.20% |
| Total | 1,442 | 66,059,000 | 100.00% |

(2) Preferred stock: None.

(IV) Name list of major shareholders: List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list.

April 5, 2021 Unit: shares

| Name of major shareholder \ Shares | Nationality or Place of Registration | Quantity of shares held (shares) | Shareholding (%) |
|---|--------------------------------------|----------------------------------|------------------|
| CROWN HARVEST COMPANY LIMITED | Samoa | 12,204,000 | 18.47% |
| Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account | British Virgin Islands | 7,779,000 | 11.78% |
| Black Dragon Assets Limited | Samoa | 4,478,400 | 6.78% |
| Chairman Management Corp. | Samoa | 3,999,000 | 6.05% |
| ALPHA MARVEL CORPORATION | British Virgin Islands | 2,797,200 | 4.23% |
| MAGIC VISION DEVELOPMENT LTD | British Virgin Islands | 2,797,200 | 4.23% |
| ACCORD SKY INVESTMENTS CO., LTD. | British Virgin Islands | 2,131,200 | 3.23% |
| FLAME POWER ENTERPRISES CORPORATION | British Virgin Islands | 1,480,000 | 2.24% |
| Wei Zhong Development Co., Ltd. | Samoa | 1,471,000 | 2.23% |

| | | | |
|-------------|---------------|-----------|-------|
| Lin An-Hsiu | Taiwan R.O.C. | 1,370,500 | 2.07% |
|-------------|---------------|-----------|-------|

(V) Market price, net worth, earnings and dividends per share for the most recent two years, and related information

Unit: NT\$ thousand; Thousand shares

| Item \ Year | | 2019 | 2020 | Ended on March 31, 2021 |
|----------------------------|--------------------------------------|--------|-----------|-------------------------|
| Market price per share | Highest | 85.90 | 76.00 | 64.90 |
| | Lowest | 52.90 | 54.50 | 60.10 |
| | Average | 70.26 | 65.40 | 61.92 |
| Net worth per share | Before distribution | 39.24 | 39.85 | 37.71 |
| | After distribution | 35.14 | 註 2 | 註 2 |
| EPS | Weighted average quantity of shares | 66,059 | 66,059 | 66,059 |
| | EPS | 6.09 | 4.22 | 0.51 |
| Dividends per share | Cash dividends | 4.1 | 3(Note 1) | Note 2 |
| | Issuance of bonus shares | - | - | - |
| | | - | - | - |
| | Accumulated unappropriated dividends | - | - | - |
| Analysis on rate of return | P/E ratio | 11.54 | 15.50 | - |
| | P/D ratio | 17.14 | 21.80 | - |
| | Cash dividend yield | 5.84% | 4.59% | - |

Note 1: The Board of Directors has approved the proposal for cash dividend distribution to be submitted to 2021 General Shareholders' Meeting.

Note 2: The motion for distribution of earnings for the year is still pending resolution by the shareholders' meeting.

(VI) Dividend policy and implementation thereof

1. Dividend policy set forth by the Articles of Incorporation

Where the Company has retained earnings at the end of each fiscal year, it shall first reserve certain amount of the retained earnings to pay for relevant taxes in accordance with the law, recover losses (including the losses from preceding years and the adjustment of the undistributed earnings if any) and then set aside legal reserve in accordance with regulations for TWSE/TPEX listed companies (however, this is not applicable if the legal reserve has reached the Company's paid-in capital) and set aside or reverse special reserve (if any). Then for the residual amount (including the reversed special reserve), no less than 10% of the distributable earnings plus the whole or a part of the cumulative undistributed earnings (including adjustment of undistributed earnings) decided by general resolution during shareholders' meeting may be distributed to shareholders by dividends/bonus according to the shareholding ratio during the board of directors meeting with more than two-thirds of the directors attended and over half of the directors' approval on the resolution and submitted to the shareholders' meeting where the amount of dividends in cash shall not be lower than 10% of such distribution of dividends/bonus.

2. Distribution of dividend proposed in the current year:

The Company's motion for distribution of 2020 earnings has been passed by the directors' meeting on March 11, 2021, which stated that the cash dividends distributed to shareholders shall be NT\$198,177 thousand, i.e. cash dividend at NT\$3 per share. The motion is now pending resolution by the general shareholders' meeting in 2021.

(VII) The effects of issuance of bonus shares proposed at this shareholders' meeting on the Company's business performance and EPS:

The Company's motion for distribution of 2020 earnings has been passed by the directors' meeting on March 11, 2021. Since the dividends will be distributed in the form of cash dividends in whole, no effect would be produced on the Company's EPS in the current year.

(VIII) Remuneration to employees, directors and supervisors

1. The employees' bonus and percentages or ranges with respect to remuneration to directors and supervisors as set forth in the Company's Articles of Incorporation shall follow Article 100 of the Company's Articles of Incorporation referred to in said paragraph (5).
2. The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as the stock dividend, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

According to the resolution made by the shareholders' meeting subsequently, if there is any discrepancy between the amount allocated actually and the estimated amount of the employees' bonus and remuneration to directors and supervisors, it shall be identified as a change in estimation and stated as the income in 2021.

3. The motion for distribution of remuneration passed by the Board of Directors:
 - (1) Remuneration to employees, directors and supervisors allocated in cash or in the form of stock: If there is any discrepancy between that amount and the estimated amount for the fiscal year in which these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Not applicable, as the motion for distribution of the Company's 2020 earnings has been passed by the directors' meeting on March 11, 2021 and there was no discrepancy from the estimated amount for the fiscal year in which these expenses were recognized.

- (2) Proposed distribution of remuneration to employees in the form of stock as a percentage to net income after tax plus remuneration to employees in the entity or separate financial statement for the current period:

Not applicable, as the motion for distribution of the Company's 2020 earnings has been passed by the directors' meeting on March 11, 2021 and no stock dividend was allocated to employees.

4. The actual distribution of bonus to employees and remuneration to directors and supervisors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employee, directors and supervisors, the discrepancy, its cause, and the status of treatment shall also be disclosed: The motion for distribution of remuneration to employees, directors and supervisors in 2020 has been passed by the directors' meeting and shareholders' meeting, and there was no discrepancy from the actual distribution and estimated amount.

(IX) Repurchase of the Company's shares: None

II. Status of corporate bonds:

Issuance of company bonds

| Type of corporate bond (Note 2) | | 1st Issue of Domestic (ROC) Unsecured Convertible Bonds (Note 5) |
|---|--|---|
| Issue (offer) Date | | August 12, 2019 |
| Denomination | | NT\$ 100,000 each |
| Place of issuance and transaction (註 Note 3) | | Taipei Exchange |
| Issuing price | | Fully issued at par price |
| Total amount | | NT\$ 6 billion |
| Interest rate | | 0% |
| Maturity | | 3 years; Maturity date: August 12, 2023 |
| Guarantee agency | | None |
| Trustee | | Mega International Commercial Bank Co., Ltd |
| Underwriter KGI Securities Co. LTD. | | Underwriter KGI Securities Co. LTD. |
| Certified Lawyer | | Lawyer Chen You-liang, Zhiding International Law Firm |
| CPA | | Deloitte Touche Tohmatsu Limited (DTTL) Accountants Chen Chiang-Shiun |
| Payback method | | Except that the holders of the converted corporate bonds are converted into common stocks of the company in accordance with Article 13 of these Measures, or the company redeemed them in advance in accordance with Article 21 of these Measures, or the company was bought and cancelled by the securities firm In addition, the company will repay in cash based on 100.75%~101.51% of the face value of the bond (real yield 0.25%~0.5%) upon maturity of this bond |
| Outstanding principal | | NT\$ 6 billion |
| Provisions of redemption and prepayment | | Please refer to the 1st Issue of Domestic (ROC) Unsecured Convertible Bonds procedures. |
| Restrictions (Note 4) | | None |
| Credit rating agency, credit rating date, and corporate bond rating results | | None |
| Other rights | Converted (exchanged or subscribed) common shares, global depository receipts, or amount of other securities | None |
| | Issuance and conversion (exchange or subscription) procedures | Please refer to the 1st Issue of Domestic (ROC) Unsecured Convertible Bonds procedures. |
| Impact of issuance and conversion, exchange and subscription methods and issuance conditions on equity dilution, possible dilution on stock equity and shareholder's equity | | If the first guaranteed conversion corporate bonds in the Republic of China issued this time are all converted into ordinary shares at the tentative conversion price after the issuance, the maximum dilution ratio of the original shareholders' equity will be 10.68%. And because the conversion price |

| | |
|--|---|
| | is issued at a premium, if the original shareholders want to maintain the original equity ratio, they can obtain the required shares from the trading market at a relatively low price, and there is no actual loss in equity |
| Commissioned agency for exchanged object | None |

Note 1: The handling of corporate bonds includes public and private corporate bonds in the process. Public company bonds under processing refer to those that have become effective (approved) by the Council; private company bonds under processing refer to those that have been approved by the board of directors.

Note 2: The number of fields is adjusted according to the actual number of transactions.

Note 3: For those who belong to overseas corporate debts.

Note 4: For example, restrictions on the distribution of cash dividends, foreign investment or requirements to maintain a certain proportion of assets, etc.

Note 5: Those belonging to private placements should be marked in a prominent way.

Note 6: For conversion of corporate bonds, exchange of corporate bonds, collective declaration of issuance of corporate bonds or corporate bonds with stock options, the information on conversion of corporate bonds, exchange of corporate bonds, and collective declaration of issuance of corporate bonds should be disclosed in a tabular format according to the nature and Information on corporate bonds with stock options

Convertible bond data

| Type of corporate bond (Note 1) | | 1st Issue of Domestic (ROC) Unsecured Convertible Bonds | |
|---|---------|---|---|
| Item | Year | 2020 | Current year until April 30, 2021 (Note 4) |
| | | | |
| Market price of convertible bonds (Note 2) | Highest | 105.80 | 105.00 |
| | Lowest | 101.50 | 102.00 |
| | Average | 104.18 | 103.54 |
| Conversion price | | 71.4 | 71.4 |
| Issue (offer) date and conversion price on issue date | | Issue date: August 12, 2020 Conversion price on issue date: 71.4 | Issue date: August 12, 2020 Conversion price on issue date: 71.4 |
| Conversion method (Note 3) | | Issuance of new shares | Issuance of new shares |

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

Note 2: If there are multiple trading locations for overseas corporate bonds, they are listed separately according to the trading locations.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: The data for the current year as of the publication date of the annual report should be filled in.

III. Status of preferred stock: None.

IV. Status of overseas depository receipts: None.

V. Status of employee stock options: None.

VI. Status of new restricted stock awards: None.

VII. Status of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Implementation of capital utilization plan:

The Company has not yet completed the capital utilization plan by the date of publication of the annual report, or the plan has been completed but rendered no significant effect.

Five. Overview of Operations

I. Operations

(I) Description of business

1. Scope of business

(1) Major lines of business

The Company specializes in the production and sale of PVC flooring, LVT dedicated to processing plastic materials into various types of flooring materials used for the residential or commercial construction and decoration.

(2) Proportion of major products

Unit: NT\$ thousand

| Products | 2019 | | 2020 | |
|--------------|-----------|----------------|-----------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| PVC flooring | 3,468,163 | 100.00 | 2,882,490 | 100.00 |

(3) The Company's current product (service)

PVC flooring is made of PVC powder and stone powder mixing to form the middle and backing layers materials and then hot pressed or auto-laminated with strong wear layer and print film, and then processed by PU coating and cut into sheet. The LVT has the strength in environmental protection, stability, wear resistance, durability, etc., and can be operated and assembled easily. The flooring may be widely applied for the residential and also commercial purposes. The process technology has been improved increasingly in the recent years. Stone patterns and wood patterns may be imitated through the unique printing method to make more diversified styles, so that the new flooring transcends solid wood flooring, laminated flooring, composite wood flooring and rubber flooring, etc., and becomes the emerging hot floor materials.

(4) New products (services) planned for development

| New products | Notes |
|---|--|
| Anti-contraction Glue-free anti-slip floor tile | Adding the galss fiber into backing layers of original Glue-free anti-slip floor tile ,it would reduce 60% contraction rate under the temperature 10-20C degree and also solve the gape problem in high latitude country during winter 。 By enhancing the backing layer material ,the SPC could meet the ASTM F1914 gape regulation . |
| Lightly SPC lock-type floor | Cause SPC high intensity, current SPC product weight is heavy.The heavy SPC would increase difficulty to transporation and setup. According to request from clients,at least 20% SPC weight would be reduced 。 |
| SPC floor tile with excellent sound insulation improvement (21db) | Strengthening the silent function of SPC can enhance product differentiation, and can also simultaneously apply for the high-performance sound-insulating green building material label from the Ministry of the Interior of Taiwan. |

II. Overview of Industry

(1) Current status and development of the industry

① Overview of industry

Plastic flooring is identified as one of the more popular flooring materials among the many construction materials. Given the booming economic activities after World War II, the increase in the labor force participation rate resulting in the emerging demand for floor materials which could be maintained conveniently. Accordingly, Carbide and Carbon released the first plastic flooring in the world in 1933. Initially, the stability of plastic flooring was enhanced by asbestos fiber. In 1952, 34 flooring manufacturers originally engaged in the production of asphalt or linoleum carpets used their existing equipment to engage in the production of plastic flooring and opened the opportunity for further development of plastic flooring. In the 1970s, the leading plastic flooring manufacturers, Amtico and Metroflor in the USA, released the wood-look flooring made of plastic materials. In order to enhance the users' orientation and recognition of plastic flooring products, the product was named Luxury Vinyl Tile. Since then, the Luxury Vinyl Tiles (LVT) have gradually become the designation of the sheet plastic flooring.

For the time being, the PVC flooring is primarily made of polyvinyl chloride (PVC). The general plastic flooring can be categorized into "vinyl tile," "vinyl sheets" and "sheet plastic flooring." All of the three are made of PVC primarily. Notwithstanding, the vinyl tile is monotonous in colors and, therefore, it is difficult for them to match the decoration design. The vinyl sheets and sheet plastic flooring structure consist of transparent materials (strong wear layer), print film, backing layer, etc., which are diversified in colors and may be extensively applied as the indoor flooring to meet the decoration design needs for residential and commercial purposes. The Vinyl Sheets may be applied onto large-scale slabs situated in a large area, such as the malls or hospitals that do not require decoration designs. Nonetheless, the sheet plastic flooring has been improved remarkably in wear-resistance, appearance and quality due to the progress of materials, fabrics and printing technology in the recent years. Therefore, such flooring type is widely applied to such public areas as storefronts and department stores, which have also been accepted by the residential market gradually in the recent years.

The sheet plastic flooring is used as the indoor flooring of houses and buildings. The sources of the main business are completed new construction projects and decoration of readily available houses. The application thereof may be extended to the residential and commercial markets. Those for residential purpose value appearance and convenience of installation more, while those for commercial purpose highlight wear-resistance, scratch-resistance and heat-resistance, et al. In the past, the unsatisfactory production technology of plastic flooring resulted in the remarkable variance between the plastic flooring and the wood, stone and ceramic tiles used in the traditional decoration work in style and quality. Therefore, users had reservations about the new flooring materials. Notwithstanding, with the improvement on production method, fabrics and printing technology, the introduction of hard board technology such as Wood Plastic Composite or Stone Plastic Composite, the

simulation of plastic flooring has been improved remarkably. In addition to such visual effects as wood-look pattern, marble-look pattern, and metal-look pattern, the floor surface can also be embossed to produce such touching sense and 3D effects as water wave embossing, registered embossing and bumpy embossing and, therefore, is became acceptable to users gradually. Because the PVC flooring provides such characteristics as easy cleaning, wear-resistance and scratch-resistance, and non-combustion-supporting, they may satisfy the smoke prevention effect recognized by the international standards only if they are made from special formula and under special production process, and become the main fireproof flooring. Meanwhile, because of the convenient construction, they may meet the malls' need for shortening the construction period for renovation work. Therefore, the PVC flooring has become the flooring materials commonly installed in commercial areas.

② Current status and development of the industry

A. Current status of the industry

According to the business report from Freedonia, it is expected that the demands of global flooring materials during 2015 to 2020 will grow stably at the annual compound growth rate of 3.1% where it will grow at annual compound growth rate of 3.8% in Asia, which is superior than North America and European regions.

Benefiting from the enhancement of demands in global eco-friendly construction materials, plus the features of plastic flooring, wuch as nice and beautiful fabric design, eco-friendly materials, super wear-resistance, fire proof and damp proof, it is expected that the scale of global plastic flooring will grow from USD 18.0 billion in 2019 at an annual compound growth rate of 11.7% to USD 31.4 billion in 2024 according to Markets and Markets business report.

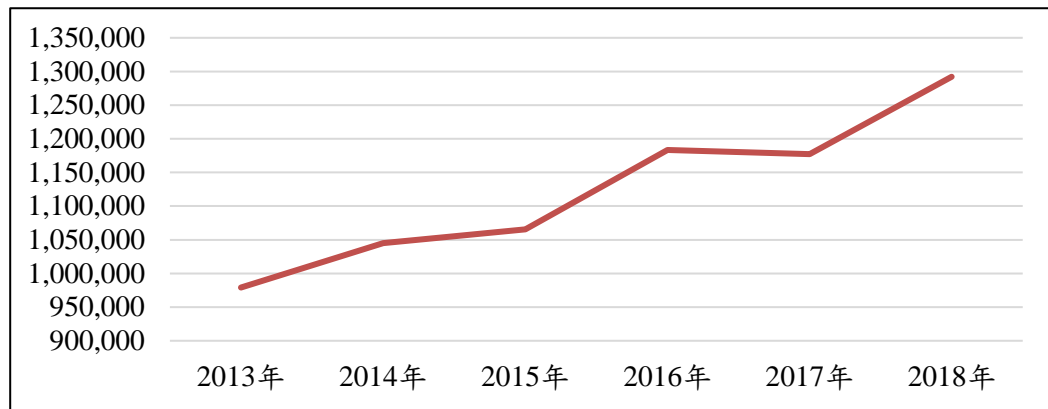
In line with the Macroeconomics and development of sheet plastic flooring in various regions in the world, the development of the industry in which the Company engage is stated as following:

(a) European market

The sales of plastic flooring in the European market,after the financial turmoil in 2009, EU market demand has gradually grown in the past ten years,primarily due to the recovery of the European construction market, the increase in demand for related construction materials, and the successive release of new products for plastic flooring in the recent years resulting in the increase in consumers' selections of plastic flooring in terms of color, function and style, thereby increasing the entire sales of plastic flooring.

EU LVT(including rolls and sheets) sales amount

Unit:EUR\$thousand



Source : Eurostat

Note : Based on Eurostat 「Floor coverings in rolls or in tiles and wall or ceiling coverings consisting of a support impregnated, coated or covered with polyvinyl chloride」 The sales amount is estimated based on the approximate market sales scale of European vinyl flooring.

Meanwhile, the emerging Ecological Building concept in Europe also drove the needs for green construction materials. Green buildings primarily stress on such sustainable development issues as ecological balance, conservation, species diversity, resource recycling, renewable energy and energy conservation. The plastic flooring is a recyclable material. With phthalate free or bio-based plasticizers and waterless printing environmental materials and production methods, the Company may become a member of the green construction materials after receiving the Green Tag.

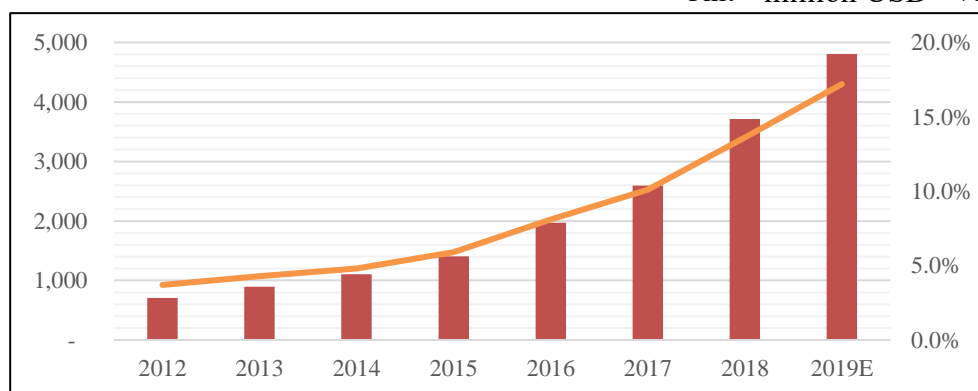
According to the statistics generated by the European Patent Office, as Europe is promoting the reduction of energy consumption and carbon footprints, remodeling of the buildings in the region has been the first priority. In the next few years, massive buildings are scheduled to be renovated. After the EU's stricter environmental policy takes effect in 2020, more than hundreds of buildings will be constructed or renovated. In addition, according to the research of market research future, the output value of green building in Europe as a whole will reach US \$51 billion in 2018, and will rise at a CAGR growth rate of 10.39% in the next five years. It is estimated that the market size of green building in Europe will reach us \$83.7 billion in 2023, which will further drive the market demand of plastic flooring.

(b) US Market

The main flooring materials in the US market are categorized into carpets, solid wood, ceramic, wear-resistant laminate, plastic flooring, stone and other flexible flooring. According to statistics from Catalina Reserch, the sales of sheet plastic flooring in the United States in 2012 amounted to US\$708 million, accounting for only 3.7% of the total flooring market. Due to the introduction of hard board technology in

sheet plastic flooring in recent years, products such as wood-plastic flooring and stone-plastic flooring have come out one after another, coupled with advances in materials, fabrics and printing technology, in terms of water resistance, color design, texture, and pressure resistance. , Wear resistance or temperature resistance, etc. have been improved. In addition to advances in materials, fabrics and printing technologies, which resulted in huge advances in wear-resistance, appearance and texture, the sheet plastic flooring is also equipped with the features of convenient transportation, tailoring and easy installations, which satisfy the needs of saving high labor costs and DIY style in European and American countries. As of 2018, the sheet vinyl flooring market has reached 3,712 million U.S. dollars, accounting for 17.2% of the total flooring market, and is estimated to reach 9,270 million U.S. dollars in 2025, accounting for 27.2% of the total flooring market.

The sales amount of sheet vinyl flooring in the U.S. and its share of all flooring
Unit : million USD ; %



Source : Catalina Research

(c) Taiwan market

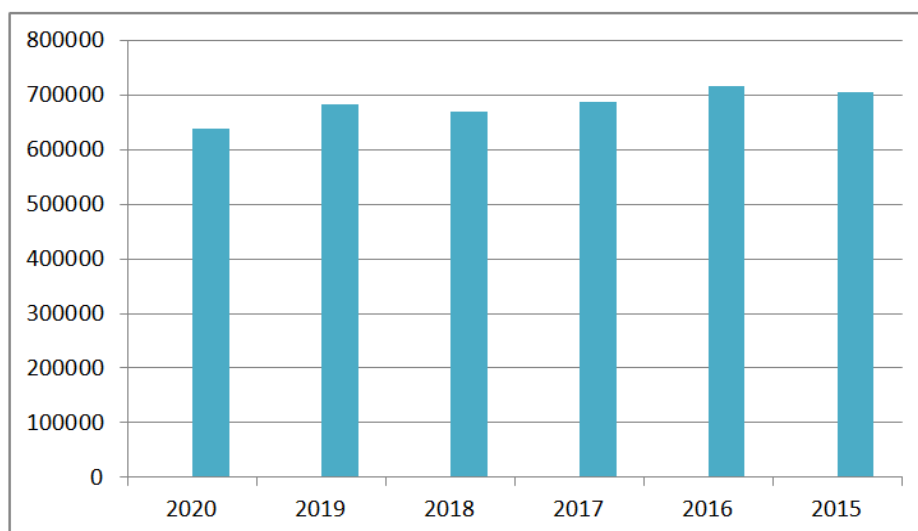
After the global financial tsunami in 2009, Taiwan's economy has shown a positive growth trend due to the slow recovery of new European economies, the strong recovery of the U.S. economy, and the high growth of mainland China. According to the statistics of the accounting and Statistics Department of the Executive Yuan, Taiwan has shown a positive growth trend for ten consecutive years since 2010, Although the novel coronavirus pneumonia affected the overall economic stagnation in the first quarter of 2020, only 1.59% of the economy was growing in the case of epidemic prevention in Taiwan. Under the control of the epidemic situation, the overall economic activity in Taiwan will grow moderately.

According to ITIS (Industrial Technology Foundation Research and Knowledge Service Program Service Platform of the Ministry of Economic Affairs), the output value of domestic plastic floor tiles in

Taiwan will reach NTD 638 million in 2020

With the increase in consumers' demand for residential quality, the development of residential decoration projects has grown rapidly. The diversified design concept is integrated into the overall decoration design. The plastic flooring industry satisfies the designers' need for diversified flooring material design, due to the advanced technology and improved simulation technology. Besides, the plastic flooring construction is easy, simple, and performs better in being moisture-resistant than the wood flooring, in line with Taiwan's environmental and market characteristics. Therefore, this appears to be favorable for the development of the industry which the Company is engaged in.

Unit : NTD thousand



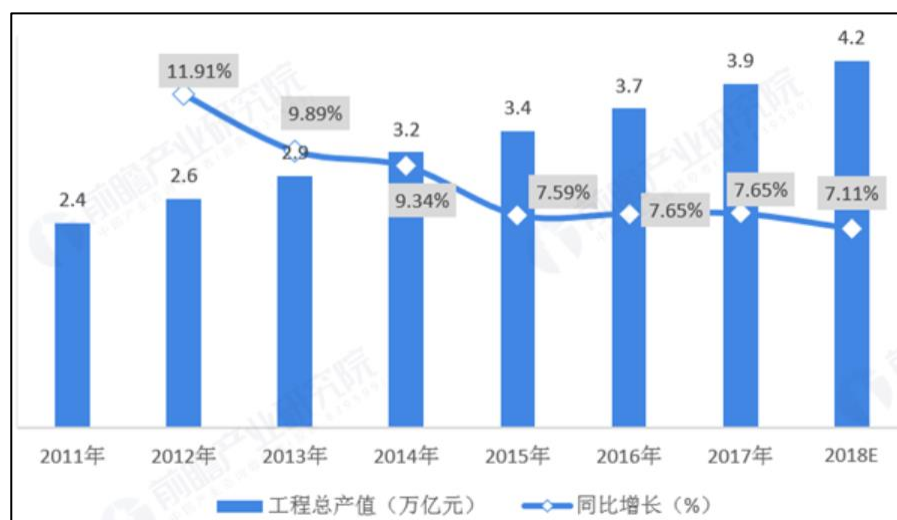
Source : ITIS

(d) China market

According to the report of China Business Industry Research Institute, although the popularity of LVT in China is lower than that in developed countries such as Europe and the United States, in recent years, due to urbanization, aging population, full liberalization of two-child policy and other factors, the demand for construction of public places in the fields of education, sports, elderly care and health is increasing, while LVT products rely on convenient construction, environmental protection, and environmental protection Waterproof and antiskid features, the use has covered residential, commercial office buildings, hospitals, schools, stadiums and other fields, and gradually expand to the home decoration market.

Output value and growth rate of China's architectural decoration industry

Unit: CNY trillion;%

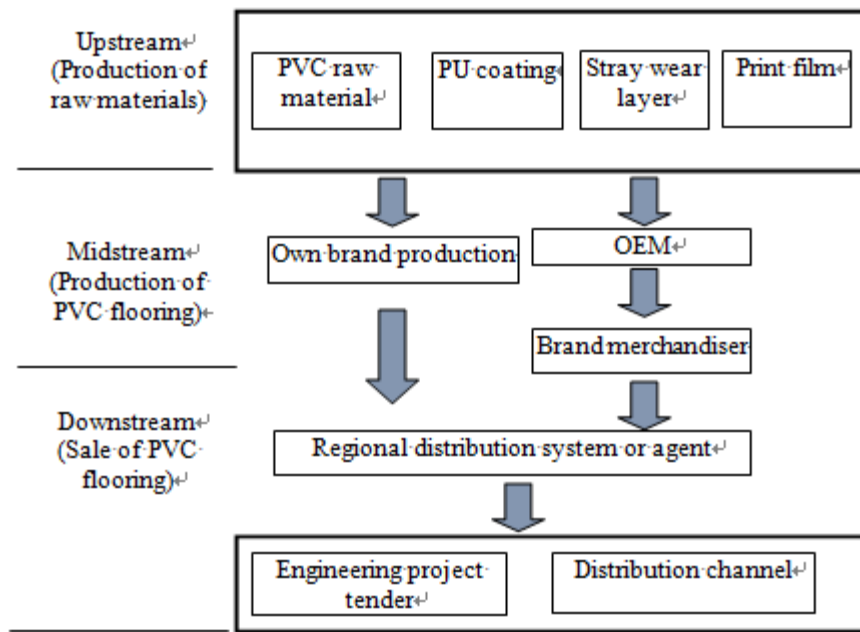


Source: Institute of prospective industries

In terms of market demand, China Business Industry Research Institute pointed out that China's demand for plastic flooring has grown from 170 million square meters in 2014 to 260 million square meters in 2017, with an annual compound growth rate of more than 15%, which shows that the growth momentum in recent years is strong. In the future, with the steady development of China's real estate, kindergarten education, pension and other industries, and the strong support of the government's green environmental protection policy, the overall technical level and product development capacity of LVT have been improved compared with the past, which will be conducive to the rapid growth of the market demand for LVT.

(2) Links between the upstream, mid-stream and downstream segments of the industry

The main raw materials for the sheet plastic flooring refer to various plasticized raw materials, which are produced into various types of sheet plastic flooring through hot press, extrusion or automatic lamination and marketed via the distribution system under the private brand or the distribution channels of branded merchandisers to use the products in residential or commercial engineering construction projects. The relevant industry chain map is stated as follows:



(3) Development trends for the Company's products

① Replace the market shares of other flooring materials in the mature market.

In consideration of the increasingly upgrading production technology of sheet plastic flooring, diversity of products, refinery of simulation with the improvement of production process, materials and printing technology and convenient construction and competitive price, it is expected that the proportion of plastic flooring to flooring materials will increase gradually.

② Development of emerging market

Since the consumers in emerging markets know little about plastic flooring, the market share of plastic flooring stays lower in the market. If the consumers' knowledge about the product may be upgraded effectively, the market share is expected to definitely grow.

③ Introduction of new products

In the future, the sheet plastic flooring will develop toward materials that are more friendly to the environment and human body, and the convenience of installation of such flooring will be increased. For lock-type products and reusable magic sticker products, the Company will upgrade the momentum of sales in mature markets (*e.g.* Europe and USA, *et al.*).

④ Development of new technology

Because the plastic flooring would be subject to biological changes by heat, the application areas of the plastic flooring are limited. So far, certain manufacturers have invested the research of materials in order to overcome the problem about the biological changes of traditional plastic flooring by heat. It is expected that the plastic floor market may be developed further if the relevant

materials are developed successfully.

⑤ Application in new directions

Given the improvement of appearance and sense of touch of the plastic flooring, the application areas thereof have been thought out of the simple floor layout. Some commercial designs have been integrated into the wall design to increase the sense of beauty for the overall design.

⑥ Promotion of policies in various countries

Europe is used to being the global environmental protection pioneer market. Its market orientation is also used to producing some demonstrative effects for the future development of the other markets. Therefore, high-end environmental protection plastic flooring shall be the focus of the future long-term development trend of the industry.

(4) Status of competition

The Company is primarily engaged in the plastic floor OEM and selling products primarily in the territories of the USA and Europe. Mainland China and Korea are the major territories where the plastic flooring are exported in the world. According to Catalina Research, the output of plastic flooring in Mainland China and Korea accounted for about 76% of the global output of plastic flooring in 2013. The business lines of major competitors in Mainland China and Korea are stated as follows:

| Company name | Major production location | Scope of competition | Remarks |
|--|---------------------------|---|----------|
| Zhang Jia Harbor City Yihua Plastic Co., Ltd. | China | Private brand in China market OEM of US and European markets | Unlisted |
| Shanghai Jinjia Building Material Technology Co., Ltd. | China | OEM of US and European markets | Unlisted |
| China Floors | China | Private brand in China market OEM of US and European markets | Unlisted |
| Novalis International | China | Private brand in China market OEM of US and European markets | Unlisted |
| Vertex Group | China | Private brand in China market OEM of US and European markets | Unlisted |
| LG Hausys | Korea | Private brand in China market | Note |
| Nox Corp. | Korea | OEM of US and European markets | Unlisted |

Source of data: Data from Catalina Research and LG Hausys, complied by KGI Securities

Note: LG Hausys is a Korean listed company with stock code 108670.KS. Its product range includes doors, windows, floors, surface materials of furniture, materials of home appliances' surface and IT, car assesory materials, etc. 2019 operating income and net profit after tax of LG Hausys is 3,186 billion won and 11 billion won, which are around NT\$88 billion and NT\$0.3 billion, respectively. In addition,

it did not disclose its proportion of operating income on floor materials in public information.

3. Overview of technology and R&D

(1) Technology level and R&D of business lines

Since the Company was incorporated it has always been dedicated to the production of sheet plastic flooring. In addition to the wear-resistant and scratch-resistant characteristics, the main technology of the Company resides in the stable quality and uniformity of the products. The main raw materials for plastic flooring are PVC (polyvinyl chloride), which change based on temperature. The international standards require that the gap on each piece of brick material shall be no more than 0.25% of the original size. If the physical properties are unstable, the thermal expansion and contraction range produced due to changes in the weather might be so excessive that the floor could be lifted due to thermal expansion or the gap may be enlarged excessively due to thermal contraction. Besides, since the sheet plastic floor is made of multiple sheet flooring material, the inconsistent product quality or inequivalent registered embossing, if any, might cause the customers to identify the product as being defective and claim for a return of goods or compensation therefor. The Company has the experience in mass production for more than 3 decades. By adjusting the formula and production process and stabilizing the properties and uniformity of product, the Company's product quality is thoroughly recognized by the international customers.

The Company believes that "Quality is the soul of products and R&D is the momentum of growth." At the same time when pursuing excellent quality, the Company sets up the R&D Department and Technology Department. The R&D Department verifies the market development trends and users' needs via business units or through communication with suppliers and customers to develop and design the new products in line with the market trends. The Technology Department works with the production unit to resolve the problems about production lines and also is responsible for improving the production process, improving the production efficiency, reducing costs and working with the R&D Department to develop new products and adjust the settings of machine, in order to fulfill mass production. With the existing experience in production, the Company integrates the specialty of the R&D Department and Technology Department to stabilize quality and provide diversified and customized product lines, while maintaining the Company's international competitiveness at the same time.

(2) Research and development expenditures invested per year for the most recent years

Unit: NT\$ thousand; %

| Item | Year 2019 | Year 2020 | 2021 Q1 |
|---|-----------|-----------|---------|
| R&D expenses (A) | 4,147 | 4,314 | 1,711 |
| Consolidated operating revenue, net (B) | 3,468,163 | 2,882,490 | 736,777 |
| (A)/(B) | 0.12 | 0.15 | 0.23 |

III. Technologies or products successfully developed

Since the Company started its business, it has valued the product technology development very much. The Company upgrades the production efficiency and product quality by improving existing production equipment and processes, and also engages in developing new products. The Company's development results in the recent years are stated as following:

| Time | Technologies or products successfully developed |
|------|---|
| 2012 | Novel environmental protection paper floor/ three-dimensional pattern PVC floor/NON- Phthalate environmental protection floor/PUR high scratch-resistant and chemical-resistant floor |
| 2013 | Micro-glue floor/large rounded floor molding technology development |
| 2014 | GF fiberglass composite floor/lock-type floor (Note)/paper floor |
| 2015 | WPC/PVC composite lock-type floor (Note)/Non-PVC (PP) environmental protection floor/reusable magic sticker floor |
| 2016 | Commercial fire-resistant level non-PVC (PP) environmental protection floor Commercial flame-resistant level non-PVC (PP) environmental protection floor (The only one plastic floor product which receives the Green Tag for green construction materials in Taiwan.) Anti-static level non-PVC (PP) environmental protection floor WPC PLUS (commercial level WPC) Plastic floor with carpet looking |
| 2017 | Cigarette butt-resistant floor Stain-resistant/scratch-resistant floor |
| 2018 | Flame-resistant high-viscosity adhesive wall materials Glue-free anti-slip floor tile Magnetic wall materials Rounded angle floor tile Flexible floor tile SPC floor tile |
| 2019 | Anti-contraction Glue-free anti-slip floor tile Lightly SPC lock-type floor |

| | |
|------|---|
| 2020 | SPC floor tile with excellent sound insulation improvement (21db) |
|------|---|

Note: The Company acquires the license to use the patent on the lock-type one after paying royalty to Välinge Innovation AB

4. Long-term/short-term business development plan

(1) Short-term business development plan:

- ① Enhance the core technology capabilities, transform into automated machine production, and cut labor costs.
- ② Steadily expand the production scale, increase production lines and upgrade the production process efficiency to maximize the effect of productivity.
- ③ Keep deepening the relationship with customers, provide high-value-added excellent products and achieve the win-win situation between the Company and its customers.
- ④ Set up business locations in various districts of Mainland China step by step, dedicated to deepening the development in the domestic market of the mainland China, and upgrading the business performance and market shares in the market of Mainland China.

(2) Long-term business development plan:

- ① Strengthen the cooperation with the suppliers of the supply chain in the industry, co-develop alternative new materials, reduce production costs and secure strength in the price competition.
- ② Dedicated to researching and developing new materials and excellent products equipped with new functions intended for “environmental protection, comfort and safety” to satisfy the needs of the consumer market.
- ③ Continue to introduce the professionals with international competency to upgrade the Company’s core competitiveness.
- ④ Integrate the Company’s resources and aim to set up business locations in the world and the Greater China market to expand the Company’s operating and niche scale.

(II) Overview of market and production and marketing

1. Analysis of market

(1) Geographic areas where the main products are sold

Unit: NT\$ thousand; %

| Territory | Year 2019 | | Year 2020 | | 2021 Q1 | |
|---------------|-----------|--------|-----------|--------|---------|--------|
| | Sales | Ratio | Sales | Ratio | Sales | Ratio |
| Taiwan | 212,482 | 7.17% | 192,623 | 6.68% | 45,448 | 6.17% |
| Europe | 2,054,357 | 50.10% | 1,692,938 | 58.73% | 469,762 | 63.76% |
| North America | 525,524 | 21.79% | 450,880 | 15.65% | 117,480 | 15.94% |
| China | 415,128 | 11.31% | 265,786 | 9.22% | 38,582 | 5.24% |
| Others | 260,672 | 9.64% | 280,263 | 9.72% | 65,505 | 8.89% |
| Total | 3,468,163 | 100% | 2,882,490 | 100% | 736,777 | 100% |

(2) Market share

According to the data provided by the Plastic Floor Research Center of Zhi Mian Consulting, the output of the sheet plastic flooring was about 2.5179 billion square meters (about 76,166 thousand pings) in the world in 2016. Based on the Company's sale areas attaining 5,804 thousand pings in 2016, the Company's market share for the sheet plastic flooring in the world was 7.62%.

(3) Future demand and supply and growth potential of the market

① Changes in potential demand and growth of the market

According to the statistics generated by Catalina Research, the sales of the sheet plastic flooring were about US\$2.9 billion in 2013. In terms of sales, the US market accounted for 30.75% of the global sales, Europe 27.83%, and Mainland China 14.26%, as the top 3 consumer markets in the world. It is expected that the global plastic floor growth rate would grow at a compound annual growth rate by more than 10% per year in 2017, primarily because the plastic floor sales in 2013 was only 1.10% of the total sales for flooring materials in the world, which is considered low. With the improvement of the plastic floor production technology and release of new products, the proportion may be upgraded effectively. The growth rate of the US market is expected to lead among the other major regions in the world. Therefore, the growth of demand in the US market appears to be more significant. According to Catalina, the US market will grow at the compound growth rate by 15.30% per year. The sales of plastic flooring will amount to US\$2.4 billion in 2019. Starting from 2020, LVT will grow at annual growth rate of 6.5% to 7% in the next 5 years and can reach sales volume of USD 6.8 billion sales in 2025.

② Changes in potential supply and growth of the market

In 2013, the global supply of sheet plastic flooring was 2.4 billion square feet. Among other things, the supply in Mainland China was about 1.5 billion square feet, Europe 383 million square feet, and Korea 315 million square feet, accounting for 62.87%, 16.05% and 13.20% of the global supply, respectively. According to Catalina Research, the global supply of sheet plastic flooring would increase from 2.7 billion square feet in 2014 to 3.7 billion square feet in 2017. The growth rate of such supply is commensurate with the growth rate of the US market, exclusive of the growth of demand in other markets. Therefore, no supply surplus resulting from the increase in supply would take place in the near future.

Developed countries such as Europe and the United States have always been the global environmental

protection pioneer markets, and their market directions have demonstrated the effect of the future development of other markets. Therefore, high-end environmentally friendly plastic flooring is the long-term trend of the future development of the industry. According to 360 Research Reports, a research institution, Europe is the world's largest consumer market for sheet vinyl flooring, followed by the United States. At the same time, the agency's research also pointed out that the global sales value of sheet vinyl flooring in 2019 was 3,630 million. The US dollar will increase at a compound annual growth rate of 12.8% in the next five years.

In addition, according to the market research report of Catalina Research, the sales of sheet plastic flooring in the United States are expected to grow at a compound annual growth rate of 10% in the next 5 years. It is mainly due to the rigid board technology that drives the market demand for sheet plastic flooring. The first product that came out was Wood Plastic Composite (WPC), and gradually developed to Stone Plastic Composite (SPC). Because the content of stone powder is higher, its base material is harder and pressure resistant, and it can withstand temperature changes, so it is more suitable for use. In commercial places with high traffic and ordinary household places, Catalina Research estimates that in the next few years, stone plastic flooring will be the focus of the development of sheet-type plastic flooring, and it will be the investment focus of most new production lines in the world. In response to the company's future development direction.

(4) Competition niche

① Excellent and uniform product quality

The Company's product quality not only surpasses the certification by customers but also remains uniform in the case of mass production. The product quality is one of the Company's major competitive strengths. Since the plastic sheet floor is made of multiple sheet flooring materials, the inconsistent product quality or inequivalent registered embossing, if any,

might cause the customers to identify the product as being defective and claim for a return of goods or compensation therefor. The Company has experience in mass production for more than 3 decades. By adjusting the formula and production process and stabilizing the properties and uniformity of product, the plastic flooring produced in different batches may remain consistent in quality and appearance, and the product quality is thoroughly recognized by international customers.

② Complete production equipment and strength in production capacity

The Company owns a hot press production line and an automated lamination production line at the same time. The hot press production line generates the annual production capacity of 5,292 thousand pings per year. The automated lamination production line generates the annual production capacity of 3,667 thousand pings. The production capacity is considered sufficient enough to satisfy customers' needs for one-stop shopping and also helpful for positive business development. Further, the hot press production line is applicable to small-volume but diversified products. The automated lamination production line has the strength in mass production and may choose different processes per the customer's order, to reduce production cost and reflect on the selling price to achieve the win-win goal for customers and the Company.

③ Experience in production and high automation degree

The Company has been engaged in developing the business in the plastic floor industry for more than 3 decades and, therefore, can fully control changes in the industry, adjust raw material costs and inventory in a timely manner, and strictly control the cost. The Company owns the key technology to upgrade the production efficiency through improvement of production process and upgrading of automation level. The Company is experienced in production and able to respond to the future changes in the market rapidly, thereby enhancing the competitiveness of the Company's products.

④ Obtain multiple certifications and create market access threshold

The Company has passed ISO 9001, ISO 14001, CE EU safety certification, BRE A + green environmental protection certification, floor score US indoor air health emission standard certification, Green Guard Indoor Chemical Volatility certification, SGS international authoritative standard inspection organization's certification, BV certification, CSTB French Environment and Safety certification, SA8000, and Healthy Green Construction Materials Tag Certificate awarded by the Ministry of Interior, the R.O.C., et al. Considering that European countries and the USA are used to address such issues as environmental protection and social responsibility, most of these countries will require that the products sold to them should

hold related certifications. As the Company has obtained said multiple certifications, it may solidify the cooperative relationship with existing customers and also upgrade the threshold of market access by competitors.

⑤ Highly systematic logistic management

The Company is committed to integrating various information management systems, e.g. AD (Authority Verification), ERP (Enterprise Resources Planning), DMS (Document Management System), HR (Human Resources System), BPMS (Business Process Management System) and EMS (Enterprise Management System). By integrating the systems, the Company strengthens the collaborative operations between different functionary subsidiaries of the Company, improves the Company's administrative efficiency, controls various cost elements accurately, and maintains the Company's cost competitive strengths.

⑥ Excellent ability in research and development and improved production process

The Company has set up the R&D Department. Its R&D orientations may be categorized into functional innovation and materials innovation, the two major types. The functional innovation is primarily intended for the development of new functions of the sheet plastic floor, e.g. the loose lay flooring, sound-absorbing flooring, anti-bacterial flooring and conductive flooring, et al. which were developed successfully. The material innovation is intended for the development of materials other than PVC or new products made of PVC combined with other different materials, e.g. PP plastic flooring, SPC plastic flooring, and glue-free flooring, et al. The Company also set up the Technology Department responsible for improving the production process and cutting production costs of the Company and performing such functions as development of new products, test of mass production process and technology transfer. Through the cooperation of R&D Department and Technology Department, the Company develops new products successfully and achieves the ability of mass production. The Company plans the orientation of new product development to satisfy the end users' needs, and also releases new products to create customers' needs to enable the new products to be one of the Company's growth momentums.

⑦ Appearance design service

The Company keeps enhancing the competitive strength as an OEM and also trains the appearance design team to apply its mold development expertise to the development of special colors and sizes in line with market trends and customer needs. Meanwhile, the Company gets rid of the Red Sea for competition with peer companies in the OEM industry and moves forward toward ODM. Besides, the Company's owned design team also renders positive benefits to the Company's development of its owned brand,

which may enable the Company's owned brand products to be differentiated.

(5) Positive and negative factors for future development, and response to such factors

① Positive factors

A. Market opportunities created under national policies

The “National New Urbanization Plan” proposed by the mainland China is expected to create massive residential demand. With the increase in the number of new houses, the new floor areas will increase and the demand for flooring materials will grow accordingly. The Company set up the mainland China Domestic Sale Division governing the seven subsidiaries including Chongqing M.J. Shanghai M.J, Beijing M.J. , Guangzhou PROMAX, Wuhan M.J. and Shenyang M.J. ,Xian M.J. , and responsible for developing the domestic sale market in the mainland China to control the market opportunities.

B. Increasing acceptance of plastic flooring by end users

Following the improvement of technology and handcraft, the sheet plastic flooring overcome such defects as disordered texture, old patterns, and confused colors and are processed through aesthetic design and precision handcraft, as well as strict quality control and production management, into some unique artworks, thereby turning the public impression about the cheap and low-end flooring upside down. As a result, the end users’ acceptance of plastic flooring is increasing.

C. Environmental protection issues catch the world’s eyes

The world’s concern about environmental protection issues is growing increasingly. Especially, such advanced countries as the European countries and the USA emphasize recycling of resources and maintenance of ecological balance. Replacing the solid wood flooring with plastic flooring products may help reduce deforestation. Besides, the plastic flooring is environmentally friendly, free from causing any harm to human health and is recyclable, and satisfies the characteristics of green construction materials. Therefore, given the environmental issues concerns by the world, the plastic flooring will become one of the mainstream flooring materials in the future.

D. Development of new products and expansion of application range

The application range of sheet plastic flooring is extended from the residential market of decorative aesthetics to the commercial market. Given the successful development of new products in the recent years, the various value-added functions have been upgraded, so as to develop the application range of plastic flooring effectively. For example, the anti-slip tiles, which have been developed successfully, can reduce the

chances for slipping and getting hurt for consumers and thereby reduce the dispute against which damages are claimed and, therefore, are widely used by the suppliers in Europe and the USA. The improvements in technology and handcrafting make it possible to provide more colorful plastic flooring products helpful for designers to conceive more creative ideas and thereby make the plastic flooring more popular. The successful development of the products with new functions, new materials or new colors will be help the Company's sales growth effectively.

② Negative factors

A. Other flooring materials suppliers also access the market for production of plastic flooring.

Because of the limited existing market growth strength, the other flooring materials suppliers also access the market for the production of plastic flooring. For example, such companies as IVC, US Floors and Mannington, which were initially engaged in super wear-resistant wood flooring materials, access the market for plastic flooring too.

Response to such factors

The Company is very experienced in mass production. Meanwhile, the Company has obtained multiple certifications. It maintains fair interaction with the existing customers' needs, solidifies the cooperative relationship with the existing customers and also works hard to develop new products, in order to attract potential customers and make them become the Company's loyal customers with the Company's diversified products, competitive price and sound production strength.

The Company continues to upgrade the customers' service to solidify the cooperative relationship with the existing customers, and also works hard to develop new products to maintain its competitive edge in production technology and cost and to attract potential customers and make them become the Company's loyal customers.

B. Raw materials price fluctuation

The Company's main raw materials are extracted from crude oil. Given the fluctuation of crude oil price, the price of raw materials is prone to fluctuate too. The increase in raw materials price will result in the increase in procurement costs and loss of gross profit. The decrease in raw material price will result in the pressure from downstream customers who will ask for a price reduction. Therefore, the raw materials price fluctuation renders

some considerable impact on the Company's profitability.

Response to such factors

The Company controls the market price of main raw materials from time to time, strictly controls the inventory level and adjusts the safe stock quantity subject to the raw materials price fluctuations. When the main raw materials price rises, the Company's gross profit suffers a loss. For the purpose of sustainability, the Company's sales unit agrees with the customers on the unit selling price and adopts the sale policy to increase the unit price of goods sold on installment or have the cost for the increase in the raw materials price to be borne by the Company and the customers in part to mitigate the impact to the Company's operating revenue and profitability caused by the raw materials price fluctuations. In the case of raw materials cost decline, in response to the market competition, the Company decides on the price reduction ratio, subject to the decline range and feed the reduction back to downstream customers to create a win-win situation for the Company and its customers.

The Company controls the market price of the main raw materials from time to time, strictly controls the inventory level, and adjusts the safe stock quantity subject to the raw materials price fluctuations. When the raw material price tends to increase or decline, the Company's sale unit agrees with the customers on the unit selling price to create a win-win situation for the Company and its customers.

C. Threat from Free Trade Agreement

Considering the fact that various global zones have signed the Free Trade Agreement successively in the recent years, the tariff reduction becomes critical to the suppliers' competitiveness in quotations in various countries and thereby affects the existing business cooperation model.

Response to such factors

As a leader of technology in the sheet plastic flooring industry, the Company owns the top production ability in the world. It will continue to strengthen its automated equipment and provide customers with the products at more competitive prices by improving process efficiency, upgrading production efficiency and reducing the manufacturing cost. Meanwhile, the Company will focus on the production management, maintain the high-end quality and create differentiation of products to upgrade the Company's competitiveness.

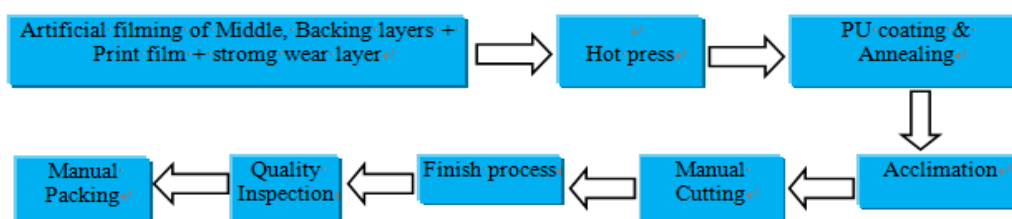
2. Important purpose and production processes for main products

(1) Important purpose of main products

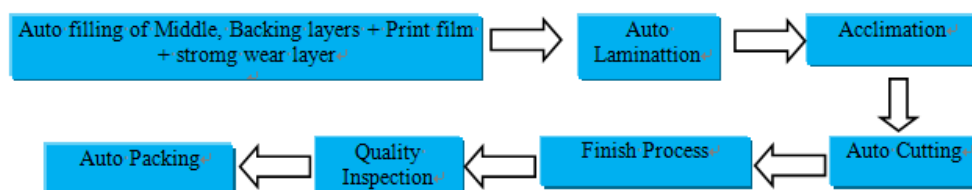
| By Product | Notes to purpose |
|-------------------|---|
| Luxury Vinyl Tile | The flooring materials applied to construction or decoration. |

(2) Production processes for main products

A. Hot Press



B. Automatic lamination



3. Supply of the main raw materials

The Company is engaged in the production of sheet plastic flooring. The raw materials purchased by the Company primarily include PVC powder, plasticizer, PVC transparent materials, PVC printing film, Ethylene Vinyl Acetate (EVA), and paper cassette packaging materials, *et al.* The main raw materials are supplied by more than one supplier to enhance the mobility for the source of supply. So far, the Company's solvency to suppliers has been considered normal. Usually, the Procurement Department is responsible for maintaining the business relationship with suppliers. The supply of main raw materials is considered normal, and no interruption of supply has taken place.

4. List of principal suppliers and clients

(1) Names of suppliers accounting for 10 percent or more of the Company's total procurement amount in any of the most recent two years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in said figures

| Item | Year 2019 | | | | Year 2020 | | | | 2021 Q1 | | | |
|------|-------------|---------|--|------------------------------|-------------|---------|--|------------------------------|-------------|---------|--|------------------------------|
| | Name | Amount | To the annual net procurement amount (%) | Relationship with the issuer | Name | Amount | To the annual net procurement amount (%) | Relationship with the issuer | Name | Amount | To the annual net procurement amount (%) | Relationship with the issuer |
| 1 | HSIUNG STAR | 399,971 | 22.60 | None | HSIUNG STAR | 304,724 | 21.82 | None | HSIUNG STAR | 108,134 | 23.64 | None |

| | | | | | | | | | | | | |
|---|------------------------|-----------|--------|------|------------------------|-----------|--------|------|------------------------|---------|--------|------|
| 2 | Shanghai Dachang | 249,421 | 14.10 | None | zhuhai UPC | 141,017 | 10.10 | None | zhuhai UPC | 53,956 | 11.80 | None |
| 3 | zhuhai UPC | 164,955 | 9.32 | None | Shanghai Dachang | 69,648 | 4.98 | None | Jiangsu Dali | 52,959 | 11.58 | None |
| | Other | | | | Other | 881,360 | 63.10 | | Other | 242,313 | 52.98 | |
| | Net procurement amount | 1,769,502 | 100.00 | | Net procurement amount | 1,396,749 | 100.00 | | Net procurement amount | 457,362 | 100.00 | |

Notes:

① Shanghai Dachang

In 2020, the group set up Jiangsu Dali company, and then changed to purchase from Dali, Jiangsu Province, which reduced the purchase amount to less than 5% in 2020 compared with 2019.

② HSIUNG STAR

As Zhuhai UPC's quotation is competitive and its factory is close to the company's main production base, the purchase amount for Zhuhai Union has increased.

- (2) Names of clients accounting for 10 percent or more of the Company's total sale amount in any of the most recent two years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in said figures

Unit: NT\$ thousand

| Item | Year 2019 | | | | Year 2020 | | | | 2021 Q1 | | | |
|------|-----------------|-----------|-----------------------------------|------------------------------|-----------------|-----------|-----------------------------------|------------------------------|-----------------|---------|-----------------------------------|------------------------------|
| | Name | Amount | To the annual net sale amount (%) | Relationship with the issuer | Name | Amount | To the annual net sale amount (%) | Relationship with the issuer | Name | Amount | To the annual net sale amount (%) | Relationship with the issuer |
| 1 | Company A | 1,333,452 | 38.45 | None | Company A | 1,175,145 | 40.77 | None | Company A | 288,466 | 39.15 | None |
| 2 | Company C | 680,367 | 19.62 | None | Company C | 495,931 | 17.20 | None | Company C | 171,569 | 23.29 | None |
| | Other | 1,454,344 | 41.93 | - | Other | 1,211,414 | 42.03 | - | Other | 276,742 | 37.56 | - |
| | Net sale amount | 3,468,163 | 100.00 | - | Net sale amount | 2,882,490 | 100.00 | - | Net sale amount | 736,777 | 100.00 | - |

Analysis on changes:

Affected by the COVID-19 in 2020, net sales will decrease, but the ratio of net sales will not change much. The first quarter of 2021 has gradually returned to the previous level.

5. An indication of the production volume for the recent two years

Unit: Thousand pings; NT\$ thousand

| Year Main product | Year 2019 | | | Year 2020 | | | 2021 Q1 | | |
|----------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Plastic flooring | 8,705 | 5,713 | 2,646,990 | 8,097 | 4,814 | 2,210,529 | 2,280 | 1,354 | 567,156 |

Analysis on changes:

The company's output in 2020 is lower than that in 2019, mainly due to the decrease in sales in 2020 due to the COVID-19 .

6. An indication of the sale volume for the most recent two years

Unit: Thousand pings; NT\$ thousand

| Year Main product | Year 2019 | | | | Year 2020 | | | |
|-----------------------------|-------------------------|-------|--------|-----------|-------------------------|-------|--------|-----------|
| | Domestic sale (Note) | | Export | | Domestic sale (Note) | | Export | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Plastic flooring | - | - | 5,652 | 3,468,163 | - | - | 4,814 | 2,882,490 |

Note: The Company is organized in the British Cayman Islands, but doesn't engage in sale business locally. Therefore, no domestic sale is applicable.

(III) The number of employees employed for the most recent two years

Unit: Persons

| Year | | 2019Year End | 2020Year End | March 31, 2021 |
|-----------------------------------|---------------------------|--------------|--------------|----------------|
| Number of employees | Managers | 8 | 8 | 8 |
| | Production line employees | 593 | 484 | 490 |
| | General employees | 265 | 254 | 262 |
| | Total | 866 | 746 | 760 |
| Average age (years old) | | 39.27 | 39.27 | 39.65 |
| Average service seniority (years) | | 4.94 | 4.94 | 4.78 |
| Academic background | Doctor | 0.00% | 0.27% | 0.26% |
| | Master | 1.39% | 2.41% | 2.89% |
| | University/college | 17.67% | 17.56% | 18.17% |
| | Senior high school | 17.67% | 19.97% | 20.13% |
| | Senior high school below | 63.27% | 59.79% | 58.55% |

(IV) Information about environmental protection expenditure

Total losses (including damages) and fines for environmental pollution for the most recent year, and during the current year up to the date of publication of the annual report, and an explanation of the countermeasures (including corrective measures) and possible expenditure to be made in the future (including an estimate of losses, fines and compensation resulting from any failure to adopt corrective measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible):

According to laws and regulations, those who should apply for a pollution facility installation permit or a pollution discharge permit, or should pay pollution prevention fees, or should set up a special unit for environmental protection, explain their application, payment or establishment:

The Guangdong Province Pollution Discharge Permit has been suspended Version, the 2020 requirements are all changed to the National Pollution Discharge Permit. The company has applied for and obtained the permit as follows, and has also paid the pollution

discharge fee in accordance with the law. From 2020 to the Q1 of 2021, there are no environmental violations and penalties for violations. Therefore, there has been no significant adverse impact on the financial business of the Group due to violations of environmental protection laws and ordinances.

| By company | Permit |
|------------------|---|
| Dongguan Prolong | National Waste Emission Certificate (Permit No.: 9144190618326483C001U) |
| Dongguan MeiJer | National Waste Emission Certificate (Permit No.: 91441900734111148C001U) |

(V) Labor relations

1. List any employee benefit plans, continuing education, training, retirement systems and the status of their implementation and the status of labor-management agreements and measures for preserving employees' rights and interests:

(1) Employee benefit plans

The Company and its subsidiaries are used to caring employees' benefits, and establish various management regulations and requirements, such as salary, promotion, rewards and punishments, leave and social insurance, which comply with the local laws and regulations. Employees shall take the health check-up periodically during their employment. The Company provides meal allowance or clean and sanitary meals. The subsidiaries also provide the dormitory for employees or accommodation allowance, and various subsidies for marriage, funeral, festival, birthday celebration and trips to take care of the employees physically and mentally.

(2) Continuing education and training

The Company and its subsidiaries are used to valuing employees' training, including the subsidies for orientation training, on-the-job training and external training (fully compensated). They practice the educational training system and strengthen the employees' professional knowledge or skill training, subject to the employees' functional development and career planning to improve the employees' quality and skills.

(3) Retirement systems and the status of their implementation

In order to take care for the retired employees' life, the Company and its subsidiaries have already contributed pension or retirement funds to the designated account pursuant to the laws and regulations applicable in the countries where they are operating on a monthly basis.

(4) Status of labor-management agreements and measures for preserving employees' rights and interests

The Company and its subsidiaries are used to valuing the employees' opinion, actively promote the democratic management and public disclosure of facility affairs, and convene employee representatives' meetings as scheduled. The employees' opinions may be communicated and negotiated via relevant channels to maintain the

fair labor-management relationship. So far, no major labor-management disputes have taken place.

2. List any losses sustained as a result of labor disputes in the most recent two years and until the date of publication of the annual report and disclose an estimate of losses incurred to date or likely to be incurred in the future and countermeasures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible:

In 2020 : None

In 2021 and as of the date of printing the prospectus: None

(VI) Important contracts

| Name of the contract | Contracting party | Concerned party | Duration of contract | Main contents | Nature of contract |
|----------------------|-------------------------------------|---|-------------------------|---|--|
| Financial Contract | OPULENT INTERNATIONAL | CitiBank Taiwan | 2013/6/13 ~until Now | General agreement for banking transactions | Financial Contract |
| Financial Contract | OPULENT INTERNATIONAL | CitiBank Taiwan | 2021/1/18 ~until Now | Notice for non-committed foreign exchange & derivatives trading limit | Financial Contract |
| Financial Contract | OPULENT INTERNATIONAL Branch Office | CTBC Bank (Taipei) | 2021/1/30 ~until Now | General Agreement for Omnibus Credit Lines | Financial Contract |
| Financial Contract | OPULENT INTERNATIONAL | CTBC Bank (Taipei) | 2021/2/19 ~until Now | General Agreement for Omnibus Credit Lines | Financial Contract |
| Financial Contract | OPULENT INTERNATIONAL | Standard Chartered Bank, Taipei Branch | 2019/10/5 ~until Now | Application for Utilization of Credit Line (UNCOMMITTED) | Financial Contract |
| Financial Contract | OPULENT INTERNATIONAL | Standard Chartered Bank, Taipei Branch | 2017/8/22 ~until Now | TREASURY FACILITIES | Financial Contract |
| Financial Contract | Taiwan MJ | Mega International Commercial Bank | 2020/5/7 ~until Now | General Agreement for Credit Lines | Financial Contract |
| Financial Contract | Taiwan MJ | Mega International Commercial Bank | 2020/5/7 ~until Now | Medium and long-term credit contract | Land mortgagat |
| Financial Contract | Taiwan MJ | Mega International Commercial Bank | 2020/5/7 ~until Now | Medium and long-term credit contract | 1. Compliant with "Welcome Taiwanese businessmen to return to Taiwan for investment project loans" 2. Set mortgage for land/buildings/machinery and equipment.t |
| Financial Contract | Taiwan MJ | Mega International Commercial Bank | 2020/5/7 ~until Now | Comprehensive credit contract | None |
| Financial Contract | OPULENT INTERNATIONAL Branch Office | Taipei Fubon Commercial Bank, Taipei Branch | 2021/3/30 ~until Now | General Credit Agreement | None |
| Financial Contract | Taiwan MJ | Taipei Fubon Commercial Bank, Taipei Branch | 2021/3/30 ~until Now | General Credit Agreement | None |
| Financial Contract | Taiwan MJ | The Shanghai Commercial & Savings Bank | 2020/4/15 ~until Now | Credit transaction contract | None |
| Financial Contract | Taiwan MJ | Taishin International Bank | 2020/8/7 ~until Now | General Agreement for Credit Lines | None |
| Financial Contract | Taiwan MJ | Taishin International Bank | 2020/8/7 ~until Now | General Agreement for Credit Lines | None |
| Sales Contract | Taiwan MJ | Company K | 2005/2/20~ | OEM for plastic | Confidentiality |

| | | | | | |
|--------------------|-------------------------------------|---|--|---|---------------------------|
| | | | Terminated upon both parties' agreement | flooring under brand owned by customer | Agreement |
| Sales Contract | Taiwan MJ | Company E | 2011~ Terminated upon both parties' agreement | OEM for plastic flooring under brand owned by customer | Confidentiality Agreement |
| Sales Contract | Taiwan MJ | Sing Cheng Lin Co., Ltd. | 2021/01/01~ 2021/12/31 | OEM & Supply Agreement | None |
| Sales Contract | Taiwan MJ | Fu Ming Corporate | 2021/01/01~2021/12/31 | OEM & Supply Agreement | None |
| Patent Contract | Dongguan Prolong / Dongguan MJ | Valinge Innovation AB | 2013/03/22~ 2057/01/31 | Agreement for License of Lock-Type Tiles | Confidentiality Agreement |
| Patent Contract | Dongguan Prolong / Dongguan MJ | Valinge Innovation AB | 2013/03/22~2025/05/01 | Agreement for License of Lock-Type Tiles | Confidentiality Agreement |
| Insurance Contract | OPULENT INTERNATIONAL Branch Office | The Export-Import Bank of the Republic of China | 2020/12/30~ 2021/12/30 | Insurance for accounts receivable | None |
| Insurance Contract | Dongguan Prolong/ Dongguan MJ | China Pacific Insurance Co., Ltd. | 2020/12/27~ 2021/12/26 | Insurance for property, plant and equipment and inventory | None |
| Insurance Contract | Taiwan MJ | Hotai Insurance Co., Ltd. | 2020/10/10~ 2021/10/10 | Insurance for property, plant and equipment and inventory | None |
| Insurance Contract | Shanghai MJ | China Pacific Insurance Co., Ltd. | 2021/01/01~ 2021/12/31 | Property, plant and equipment | None |
| Insurance Contract | Beijing MJ | China Pacific Insurance Co., Ltd. | 2021/01/01~ 2021/12/31 | Property, plant and equipment | None |
| Insurance Contract | Chongqing MJ | China Pacific Insurance Co., Ltd. | 2021/01/01~ 2021/12/31 | Property, plant and equipment | None |
| Insurance Contract | Wuhan MJ | China Pacific Insurance Co., Ltd. | 2021/01/01~ 2021/12/31 | Property, plant and equipment | None |

Six. Financial Position

I. Condensed financial information for the most recent five years

(I) Condensed balance sheet and income statement

1. Consolidated balance sheet

Unit: NT\$ thousand

| Item \ Year | | Condensed financial information for the most recent five years | | | | | Financial information ended on March 31, 2021 (Note 2) |
|---|---------------------|--|-----------|-----------|-----------|-----------|--|
| | | Year 2016 | Year 2017 | Year 2018 | Year 2019 | Year 2020 | |
| Current assets | | 2,882,757 | 2,783,394 | 2,604,307 | 2,578,382 | 2,454,394 | 2,485,152 |
| Property, Plant and Equipment | | 759,639 | 736,178 | 989,331 | 1,522,937 | 1,822,494 | 1,998,286 |
| Intangible Assets | | 2,063 | 4,435 | 2,416 | 39,064 | 28,699 | 26,803 |
| Other assets | | 104,779 | 397,550 | 172,807 | 246,418 | 207,926 | 225,985 |
| Total assets | | 3,749,238 | 3,921,557 | 3,768,861 | 4,386,801 | 4,513,513 | 4,736,226 |
| Current liabilities | Before distribution | 938,623 | 1,235,071 | 1,277,245 | 1,742,539 | 624,751 | 946,992 |
| | After distribution | 1,401,036 | 1,631,425 | 1,475,422 | 2,013,381 | (Note 1) | (Note 1) |
| Non-current liabilities | | 187,309 | 116,142 | 54,506 | 22,456 | 1,210,884 | 1,310,400 |
| Total liabilities | Before distribution | 1,125,932 | 1,351,213 | 1,331,751 | 1,764,995 | 1,853,635 | 2,257,392 |
| | After distribution | 1,588,345 | 1,747,567 | 1,529,928 | 2,035,837 | (Note 1) | (Note 1) |
| Equity attributable to owners of the parent | | 2,623,306 | 2,570,344 | 2,437,110 | 2,591,880 | 2,632,398 | 2,450,969 |
| Capital stock | | 660,590 | 660,590 | 660,590 | 660,590 | 660,590 | 660,590 |
| Capital surplus | | 1,205,967 | 1,205,967 | 1,205,967 | 1,205,967 | 1,229,455 | 1,229,455 |
| Retained earnings | Before distribution | 717,011 | 749,315 | 650,599 | 853,211 | 861,354 | 696,922 |
| | After distribution | 254,598 | 352,961 | 452,422 | 582,369 | (Note 1) | (Note 1) |
| Other equity | | 39,738 | (45,528) | (80,046) | (127,888) | (119,001) | (135,998) |
| Treasury stock | | - | - | - | - | - | - |
| Non-controlling interest | | - | - | - | 29,926 | 27,480 | 27,865 |
| Total equity | Before distribution | 2,623,306 | 2,570,344 | 2,437,110 | 2,621,806 | 2,659,878 | 2,478,834 |
| | After distribution | 2,160,893 | 2,173,990 | 2,238,933 | 2,350,964 | (Note 1) | (Note 1) |

Note 1: The motion for distribution of earnings for the year is still pending resolution by the shareholders' meeting.

Note 2: The consolidated financial statements of Q1 in 2021 reviewed by the independent external auditor is adopted.

2. Condensed income statement

Unit: NT\$ thousand

| Item \ Year | Condensed financial information for the most recent five years | | | | | Financial information ended on March 31, 2021 (Note) |
|---|--|-----------|-----------|-----------|-----------|--|
| | Year2016 | Year2017 | Year2018 | Year2019 | Year2020 | |
| Operating revenue | 3,511,104 | 3,684,253 | 2,979,348 | 3,468,163 | 2,882,490 | 736,777 |
| Gross profit | 1,046,801 | 931,140 | 645,476 | 891,547 | 785,648 | 138,792 |
| Operating profit | 648,395 | 543,134 | 258,179 | 438,782 | 405,124 | 31,756 |
| Non-operating revenue and expense | 63,407 | (26,534) | 56,524 | 18,902 | (43,317) | 7,294 |
| Net profit before tax | 711,802 | 516,600 | 314,703 | 457,684 | 361,807 | 39,050 |
| Net profit from continuing operations | 569,801 | 494,717 | 310,436 | 402,334 | 277,751 | 33,887 |
| Loss from discontinued operation | - | - | - | - | - | - |
| Net profit(loss) | 569,801 | 494,717 | 310,436 | 402,334 | 277,571 | 33,887 |
| Other current comprehensive income (net after tax) | (132,770) | (85,266) | (47,316) | (48,681) | 7,855 | (16,754) |
| Total current comprehensive income | 437,031 | 409,451 | 263,120 | 353,653 | 285,426 | 17,133 |
| Net profit attributable to owners of the parent | 569,801 | 494,717 | 310,436 | 402,465 | 278,985 | 33,745 |
| Net profit attributable to non-controlling interest | - | - | - | (131) | (1,414) | 142 |
| Total comprehensive income attributable to owners of the parent | 437,031 | 409,451 | 263,120 | 354,623 | 287,872 | 16,748 |
| Total comprehensive income attributable to non-controlling interest | - | - | - | (970) | (2,446) | 385 |
| EPS | 9.50 | 7.49 | 4.70 | 6.09 | 4.22 | 0.51 |

Note: The consolidated financial statements of Q1 in 2021 reviewed by the independent external auditor is adopted.

- (II) Matters of material significance which affected the comparability of said condensed financial statements, such as accounting changes, corporate mergers, or suspension of work in the operating departments etc., and the impact of these events on the current financial statements: None.

(III) Names and auditor's opinions of the attesting CPA for the most recent five years:

| Year | Name of Firm | Name of CPA | Opinion |
|------|-----------------|--|----------------------|
| 2015 | Deloitte Taiwan | Yu Cheng-Chuan and Chang Keng-Hsi, CPAs | Unqualified opinions |
| 2016 | Deloitte Taiwan | Yu Cheng-Chuan and Chang Keng-Hsi, CPAs | Unqualified opinions |
| 2017 | Deloitte Taiwan | Yu Cheng-Chuan and Chang Keng-Hsi, CPAs | Unqualified opinions |
| 2018 | Deloitte Taiwan | Yu Cheng-Chuan and Chang Keng-Hsi, CPAs | Unqualified opinions |
| 2019 | Deloitte Taiwan | Chen Chiang-Shiun and Chang Keng-Hsi, CPAs | Unqualified opinions |
| 2020 | Deloitte Taiwan | Chen Chiang-Shiun and Chen Chao-Mei, CPAs | Unqualified opinions |

II. Financial analysis

Unit: %

| Analysis items (Note 2) | | Financial analysis for the most recent five years | | | | | Ended on March 31, 2021 (Note 1) |
|-------------------------|---|---|-----------|-----------|-----------|-----------|----------------------------------|
| | | Year 2016 | Year 2017 | Year 2018 | Year 2019 | Year 2020 | |
| Financial structure | Ratio of liabilities to assets | 30.03 | 34.46 | 35.34 | 40.23 | 41.07 | 47.66 |
| | Ratio of long-term capital to property, plant and equipment | 345.34 | 349.15 | 246.34 | 172.15 | 212.39 | 189.62 |
| Solvency | Current ratio | 307.13 | 225.36 | 203.90 | 147.97 | 381.86 | 262.43 |
| | Quick ratio | 267.13 | 199.11 | 168.96 | 117.91 | 295.49 | 194.99 |
| | Interest coverage ratio | 685.43 | 210.32 | 62.30 | 84.52 | 39.77 | 14.18 |
| Operating ability | Receivable turnover (counts) | 3.52 | 3.65 | 2.95 | 3.43 | 2.85 | 3.05 |
| | Average days for cash receipts | 104 | 100 | 124 | 106 | 128 | 119 |
| | Inventory turnover (counts) | 9.95 | 10.01 | 7.36 | 6.62 | 4.92 | 5.23 |
| | Payables turnover (counts) | 5.65 | 6.38 | 5.89 | 6.3 | 6.71 | 9.12 |
| | Average days for sale of goods | 37 | 37 | 50 | 55 | 74 | 70 |
| | property, plant and equipment turnover (counts) | 4.62 | 4.93 | 3.01 | 2.28 | 1.58 | 1.47 |
| | Total assets turnover (counts) | 1.07 | 0.96 | 0.77 | 0.85 | 0.65 | 0.64 |
| Profitability | Return on assets (%) | 17.31 | 12.95 | 8.18 | 9.97 | 6.41 | 3.14 |
| | Return on equity (%) | 25.71 | 19.05 | 12.40 | 15.91 | 10.51 | 5.28 |
| | Ratio of income before tax to paid-in capital (%) (Note 6) | 114.09 | 78.20 | 47.64 | 69.28 | 54.77 | 23.65 |
| | Net profit ratio (%) | 16.23 | 13.43 | 10.42 | 11.6 | 9.63 | 4.60 |
| | EPS (NT\$) | 9.50 | 7.49 | 4.70 | 6.09 | 4.22 | 0.51 |
| Cash flow | Cash flow ratio (%) | 76.50 | 6.36 | 38.02 | 15.24 | 44.46 | (1.54) |
| | Cash flow adequacy ratio (%) | 136.80 | 128.51 | 121.22 | 76.31 | 60.64 | 38.01 |
| | Cash reinvestment ratio (%) | 10.46 | (11.60) | 2.81 | 2.04 | 0.32 | (0.32) |
| Leverage | Operating leverage | 1.14 | 1.14 | 1.42 | 1.31 | 1.41 | 1.67 |
| | Financial leverage | 1.00 | 1.00 | 1.02 | 1.01 | 1.02 | 1.04 |

The reasons of change made on diversified finance ratio over the latest past 2 years are stated as follows. (analysis is exempted in case of the increase/decrease rate not reaching 20%)

1. The percentage of long-term fund accounted for real estate, plant and equipment: It was mainly caused by the increase in the ratio in 2020 compared to 2019 was mainly due to the issuance of convertible corporate bonds and the construction of a new factory in Tainan, which were mostly due to long-term borrowings.
2. Current ratio and quick ratio: It was mainly caused by the issuance of corporate bonds in 2020 to repay short-term borrowings and expand working capital, resulting in an increase in the ratio in 2020 compared to 2019.
3. Interest Protection Multiples: It was mainly caused by the decrease of net profit in 2020, which leads to the decrease of interest protection ratio compared with that in 2019.
4. Inventory turnover: It was mainly caused by the decline in sales during the current period, and due to the lack of shipping containers at the end of 2020, completed products cannot be shipped, resulting in an increase in finished products at the end of the period..
5. Average days of sales: It was mainly caused by the decrease in sales and the higher inventory at the end of 2020 than in the previous period.
6. Real estate, plant and equipment turnover: It was mainly caused by the Tainan plant is still under construction, so no sales have been generated yet, which has reduced the turnover rate.
7. Return on assets and return on equity: It was caused by the decrease of net profit after tax in 2020 compared with that in 2019, resulting in the decrease of return on assets and return on equity compared with that in 2019.
8. Net profit before tax to paid-up capital ratio: It was mainly caused by the decrease in operating income in 2020 and the increase in foreign exchange losses will reduce the pre-tax net profit, resulting in a decrease in the ratio of pre-tax net profit to paid-in capital compared with 2019.
9. EPSNet Cash Flow Allowance Ratio: It was mainly caused by the decrease in operating income in 2020 and the increase in foreign exchange losses will reduce the pre-tax net profit, resulting in a decrease in the ratio of pre-tax net profit to paid-in capital compared with 2019..
10. Cash flow ratio: It was mainly caused by the slight increase in net cash inflow from operating activities in 2020 and the increase in cash flow ratio from 2019 due to the issuance of corporate bonds to repay short-term bank borrowings.
11. Net Cash Flow Allowance Ratio and Cash reinvestment ratio:: It was mainly caused by the cash dividend paid in 2020 is higher than that in 2019, and the increase in capital expenditures due to the establishment of a factory in Tainan has resulted in a decrease in the overall ratio compared to 2019.

Note 1: The consolidated financial statements of Q1 in 2021 audited by the independent external auditor is adopted.

Note 2: The equation applied by the financial analysis is stated as following:

1. Financial structure
 - (1) Ratio of liabilities to assets = Total liabilities / total assets.
 - (2) Ratio of property, plant and equipment to long-term capital = (Total equity + non-current liabilities) / property, plant and equipment, net.
2. Solvency
 - (1) Current ratio = Current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = Income before income tax and interest expenses / current interest expenses.
3. Operating ability
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance of average receivables (including accounts receivable and notes receivable resulting from operation)
 - (2) Average days for cash receipts = 365 / receivables turnover.
 - (3) Inventory turnover = Cost of goods sold / average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Cost of goods sold / balance of average payables (including accounts payables and notes payable resulting from operation)
 - (5) Average days for sale of goods = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = Net sales / average property, plant and equipment, net.
 - (7) Total asset turnover = Net sales / average total assets.
4. Profitability
 - (1) Return on assets = [Income after tax + interest expenses × (1 - tax rate)] / average total assets.
 - (2) Return on equity = Income after tax / average total equity.
 - (3) Net profit ratio = Income after tax / net sales.
 - (4) EPS = (Income attributable to owners of the parent - preferred stock dividend) / weighted average number of outstanding shares. (Note 3)
5. Cash flow
 - (1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / for the most recent five years (capital expenditure + increase in inventory + cash dividend).
 - (3) Cash reinvestment ratio = (Net cash from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)

6. Leverage:

(1) Operating leverage = (Operating revenue, net-variable operating costs and expenses) / operating profit) (Note 5).

(2) Financial leverage = Operating profit / (operating profit - interest expenses).

Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the net income after tax or add the net loss after tax. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from the income after tax, if any. In case of loss, no adjustment shall be made.

Note 4: Cash flow analyses shall take the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero".
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The Company, as an issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note 6: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said ratio of the paid-in capital shall be replaced by the ratio of the equity attributable to owners of the parent referred to in the balance sheet.

III. Audit Committee's Audit Report

M. J. International Co., Ltd.

Review Report from the Audit Committee

This report is to certify that the Company's 2020 business report, financial statement and the motion for allocation of earnings were prepared and submitted by the Company's Board of Directors, and the financial statement contained therein were already audited by Deloitte Taiwan, which also issued an audit report containing unqualified opinions. The Audit Committee, after completing the review on said reports and statements prepared and submitted by the Board of Directors, believes that they are free of material misstatements and thus has submit this report according to Article 14-4 of the Securities and Exchange Act and 219 of the Company Act.

Please review accordingly.

To:

2021 Annual General Shareholders' Meeting of M. J. International Co., Ltd.

M. J. International Co., Ltd.

Chairman of Audit Committee:

Lin Chiang-Liang

March 26 2021

IV. Consolidated financial statements and auditing report for the most recent year:

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

Consolidated Financial Statements for the Years Ended
December 31, 2020 and 2019 and Independent Auditors’
Report

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, 2020 and 2019, 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.

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, 2020 and 2019, 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 audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, 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, 2020. 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, 2020 are stated below:

The operating revenue was \$2,882,490 thousand for the year of 2020, while the sales amount of customer A accounted for approximately 41% of the consolidated operating revenue, and the sales amount of customer B accounted for approximately 17% of the consolidated operating revenue. We deemed the occurrence of sales to above-mentioned 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, 2020.

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, 2020 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 Chao-Mei Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 26, 2021

M. J. International Co., Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

| Assets | December 31, 2020 | | December 31, 2019 | |
|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| Current assets | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 535,530 | 12 | \$ 280,800 | 6 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 81,052 | 2 | 336,684 | 8 |
| Financial assets at fair value through other comprehensive income -current (Notes 4, 5, 8, 9 and 35) | 284,691 | 6 | 350,515 | 8 |
| Notes receivable (Notes 4, 5, 10 and 25) | 1,795 | - | 2,440 | - |
| Notes receivable - related parties (Notes 4, 5, 25 and 34) | - | - | 765 | - |
| Trade receivables (Notes 4, 5, 10 and 25) | 930,658 | 21 | 1,001,911 | 23 |
| Trade receivables - related parties (Notes 4, 5, 25 and 34) | 38,793 | 1 | 48,340 | 1 |
| Other receivables (Notes 4, 5 and 10) | 25,158 | - | 32,510 | 1 |
| Current tax assets (Notes 4 and 27) | 1,558 | - | 639 | - |
| Inventories (Notes 4 and 11) | 430,793 | 9 | 422,122 | 10 |
| Other current assets - others (Notes 19) | 124,366 | 3 | 101,656 | 2 |
| Total current assets | <u>2,454,394</u> | <u>54</u> | <u>2,578,382</u> | <u>59</u> |
| Non-current assets | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5, 8 and 9) | 28,400 | 1 | 28,903 | 1 |
| Property, plant and equipment (Notes 4, 14 and 35) | 1,822,494 | 40 | 1,522,937 | 35 |
| Right-of-use assets (Notes 4 and 15) | 65,211 | 2 | 70,712 | 1 |
| Investment properties (Notes 4 and 16) | 43,398 | 1 | 45,762 | 1 |
| Goodwill (Notes 4,17 and 30) | 8,355 | - | 8,795 | - |
| Other intangible assets (Notes 4, 18 and 30) | 28,699 | 1 | 39,064 | 1 |
| Deferred tax assets (Notes 4 and 27) | 2,967 | - | 5,406 | - |
| Other non-current assets (Notes 4 and 19) | 59,595 | 1 | 86,840 | 2 |
| Total non- current assets | <u>2,059,119</u> | <u>46</u> | <u>1,808,419</u> | <u>41</u> |
| Total assets | <u>\$ 4,513,513</u> | <u>100</u> | <u>\$ 4,386,801</u> | <u>100</u> |
| Liabilities and equity | | | | |
| Current liabilities | | | | |
| Short-term borrowings (Notes4, 20 and 35) | \$ 894 | - | \$ 944,000 | 22 |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7) | 447 | - | - | - |
| Contract liabilities - current (Notes 4 and 25) | 29,967 | 1 | 42,952 | 1 |
| Trade payables | 273,233 | 6 | 351,956 | 8 |
| Other payables (Notes 22and 31) | 257,648 | 6 | 318,587 | 7 |
| Current tax liabilities (Notes 4 and 27) | 65,129 | 1 | 63,340 | 2 |
| Provisions - current (Notes 4 and 23) | 8,192 | - | 14,788 | - |
| Lease liabilities - current (Notes 4 and 15) | 6,241 | - | 6,207 | - |
| Other current liabilities | 1,000 | - | 709 | - |
| Total current liabilities | <u>642,751</u> | <u>14</u> | <u>1,742,539</u> | <u>40</u> |
| Non-current liabilities | | | | |
| Bonds payable (Notes 4 and 21) | 580,062 | 13 | - | - |
| Long-term borrowings (Notes 4, 20, 29 and 35)) | 597,008 | 13 | - | - |
| Deferred tax liabilities (Note 4 and 27) | 8,476 | - | 8,965 | - |
| Lease liabilities - non-current (Notes 4 and 15) | 7,732 | - | 13,133 | - |
| Deferred revenue - non-current (Notes 4 and 29) | 17,215 | 1 | - | - |
| Guarantee deposits | 391 | - | 358 | - |
| Total non-current liabilities | <u>1,210,884</u> | <u>27</u> | <u>22,456</u> | <u>-</u> |
| Total liabilities | <u>1,853,635</u> | <u>41</u> | <u>1,764,995</u> | <u>40</u> |
| Equity attributable to owners of the company (Notes 4 and 24) | | | | |
| Share capital | | | | |
| Ordinary shares | 660,590 | 15 | 660,590 | 15 |
| Capital surplus | 1,229,455 | 27 | 1,205,967 | 28 |
| Retained earnings | | | | |
| Legal reserve | 177,742 | 4 | 137,496 | 3 |
| Special reserve | 127,888 | 3 | 80,046 | 2 |
| Unappropriated earnings | 555,724 | 12 | 635,669 | 14 |
| Total retained earnings | 861,354 | 19 | 853,211 | 19 |
| Other equity | (119,001) | (3) | (127,888) | (3) |
| Total equity attributable to owners of the company | <u>2,632,398</u> | <u>58</u> | <u>2,591,880</u> | <u>59</u> |
| Non-controlling interests (Notes4, 24 and 30) | <u>27,480</u> | <u>1</u> | <u>29,926</u> | <u>1</u> |
| Total equity | <u>2,659,878</u> | <u>59</u> | <u>2,621,806</u> | <u>60</u> |
| Total liabilities and equity | <u>\$ 4,513,513</u> | <u>100</u> | <u>\$ 4,386,801</u> | <u>100</u> |

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 25 and 34) | | | | |
| Sales | \$ 2,882,490 | 100 | \$ 3,468,163 | 100 |
| OPERATING COSTS (Notes 11 and 26) | | | | |
| Cost of goods sold | (2,096,842) | (73) | (2,576,616) | (74) |
| GROSS PROFIT | <u>785,648</u> | <u>27</u> | <u>891,547</u> | <u>26</u> |
| OPERATING EXPENSES (Note 26) | | | | |
| Selling and marketing expenses | (211,764) | (7) | (266,596) | (8) |
| General and administrative expenses | (163,800) | (6) | (181,772) | (5) |
| Research and development expenses | (4,314) | - | (4,147) | - |
| Expected credit loss (Notes 4 and 10) | (646) | - | (250) | - |
| Total operating expenses | (380,524) | (13) | (452,765) | (13) |
| PROFIT FROM OPERATIONS | <u>405,124</u> | <u>14</u> | <u>438,782</u> | <u>13</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Notes 4 and 26) | 22,712 | 1 | 31,109 | 1 |
| Other income (Notes 4 and 26) | 11,228 | - | 1,632 | - |
| Other gains and losses (Notes 4, 13 and 26) | (67,924) | (2) | (8,704) | (1) |
| Financial costs (Notes 4, 21 and 26) | (9,333) | - | (5,480) | - |
| Share of profit or loss of associates and joint ventures (Notes 4 and 13) | - | - | 345 | - |
| Total non-operating income and expenses | (43,317) | (1) | 18,902 | - |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 361,807 | 13 | 457,684 | 13 |
| INCOME TAX EXPENSE (Notes 4 and 27) | (84,236) | (3) | (55,350) | (1) |
| NET PROFIT FOR THE YEAR | <u>277,571</u> | <u>10</u> | <u>402,334</u> | <u>12</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 13 and 24) | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | (6,690) | - | (86,714) | (3) |
| Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income | <u>14,545</u> | - | <u>38,033</u> | <u>1</u> |
| Other comprehensive income/(loss) for the year, net of income tax | <u>7,855</u> | - | (48,681) | (2) |
| TOTAL COMPREHENSIVE INCOME/ FOR THE YEAR | <u>\$ 285,426</u> | <u>10</u> | <u>\$ 353,653</u> | <u>10</u> |
| NET PROFIT/(LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 278,985 | 10 | \$ 402,465 | 12 |
| Non-controlling interests | (1,414) | - | (131) | - |
| | <u>\$ 277,571</u> | <u>10</u> | <u>\$ 402,334</u> | <u>12</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 287,872 | 10 | \$ 354,623 | 10 |
| Non-controlling interests | (2,446) | - | (970) | - |
| | <u>\$ 285,426</u> | <u>10</u> | <u>\$ 353,653</u> | <u>10</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| From continuing operations | \$ 4.22 | | \$ 6.09 | |
| Basic | \$ 4.18 | | \$ 6.06 | |
| Diluted | | | | |

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

| | Equity attributable to owners of the company | | | | | | | | | |
|---|--|---------------------|-------------------|-------------------|-------------------------|---|--|---------------------|---------------------------|---------------------|
| | Retained Earnings | | | | | Other Equity | | Total | Non-controlling Interests | Total 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 | | | |
| BALANCE AT JANUARY 1, 2019 | \$ 660,590 | \$ 1,205,967 | \$ 106,452 | \$ 52,462 | \$ 490,009 | (\$ 52,670) | (\$ 27,376) | \$ 2,435,434 | \$ - | \$ 2,435,434 |
| Appropriation of 2018 earnings (Note 24) | | | | | | | | | | |
| Legal reserve | - | - | 31,044 | - | (31,044) | - | - | - | - | - |
| Special reserve | - | - | - | 27,584 | (27,584) | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (198,177) | - | - | (198,177) | - | (198,177) |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 402,465 | - | - | 402,465 | (131) | 402,334 |
| Other comprehensive income (loss) for the year ended December 31, 2019 (Note 24) | - | - | - | - | - | (85,875) | 38,033 | (47,842) | (839) | (48,681) |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 402,465 | (85,875) | 38,033 | 354,623 | (970) | 353,653 |
| Changes in non-controlling interests (Notes 24 and 30) | - | - | - | - | - | - | - | - | 30,896 | 30,896 |
| BALANCE AT DECEMBER 31, 2019 | 660,590 | 1,205,967 | 137,496 | 80,046 | 635,669 | (138,545) | 10,657 | 2,591,880 | 29,926 | 2,621,806 |
| Appropriation of 2019 earnings (Note 24) | | | | | | | | | | |
| Legal reserve | - | - | 40,246 | - | (40,246) | - | - | - | - | - |
| Special reserve | - | - | - | 47,842 | (47,842) | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (270,842) | - | - | (270,842) | - | (270,842) |
| Equity component of convertible bonds issued by the Company — share option (Notes 4 and 21) | - | 23,488 | - | - | - | - | - | 23,488 | - | 23,488 |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 278,985 | - | - | 278,985 | (1,414) | 277,571 |
| Other comprehensive income (loss) for the year ended December 31, 2020 (Note 24) | - | - | - | - | - | (5,658) | 14,545 | 8,887 | (1,032) | 7,855 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 278,985 | (5,658) | 14,545 | 287,872 | (2,446) | 285,426 |
| BALANCE AT DECEMBER 31, 2020 | <u>\$ 660,590</u> | <u>\$ 1,229,455</u> | <u>\$ 177,742</u> | <u>\$ 127,888</u> | <u>\$ 555,724</u> | <u>(\$ 144,203)</u> | <u>\$ 25,202</u> | <u>\$ 2,632,398</u> | <u>\$ 27,480</u> | <u>\$ 2,659,878</u> |

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

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)**

| | 2020 | 2019 |
|--|------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 361,807 | \$ 457,684 |
| Adjustments for: | | |
| Depreciation expenses | 155,836 | 133,370 |
| Amortization expenses | 8,740 | 3,886 |
| Expected credit loss recognized on trade receivables | 646 | 250 |
| Finance costs | 9,333 | 5,480 |
| Interest income | (22,712) | (31,109) |
| Share of loss of associates and joint ventures | - | (345) |
| Write-downs of inventories | 6,743 | 35,713 |
| (Gain)/loss on disposal of property, plant and equipment | 1,703 | 95 |
| Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss | (563) | (729) |
| Net (gain)/loss on disposal of financial assets | 12,962 | (1,908) |
| (Gain)/loss on disposal of investments accounted for using equity method | - | (1,526) |
| Net (gain)/loss on foreign currency exchange | 27,955 | 85 |
| Recognition of provisions | 9,547 | 9,824 |
| Proceeds from guarantee deposits received | (282) | - |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value | (28,110) | 2,527 |
| Decrease (increase) in notes receivable | 645 | 6,563 |
| Decrease (increase) in accounts receivable due from related parties | 765 | (340) |
| Decrease (increase) in trade receivable | 22,696 | (80,089) |
| Decrease (increase) in trade receivable due from related parties | 5,096 | (11,204) |
| Decrease (increase) in other receivable | 6,447 | 437 |
| Decrease (increase) in inventories | (11,700) | (81,082) |
| Decrease (increase) in other current assets | (21,213) | (14,999) |
| Increase (decrease) in financial liabilities held for trading | 282 | (4) |
| Increase (decrease) in contract liabilities | (13,165) | 13,060 |
| Increase (decrease) in accounts payable | (79,925) | (137,371) |
| Increase (decrease) in other payable | (71,359) | 20,824 |
| Increase (decrease) in provisions | (15,623) | (10,899) |
| Increase (decrease) in other current liabilities | <u>332</u> | <u>(1,399)</u> |

(Continued)

| | 2020 | 2019 |
|---|--------------------------|--------------------------|
| Net cash flows from (used in) operating activities | 366,883 | 316,794 |
| Interest received | 6,398 | 9,879 |
| Interest paid | (9,031) | (5,480) |
| Income tax paid | (78,455) | (55,625) |
| Net cash generated from operating activities | <u>285,795</u> | <u>265,568</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (503) | - |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 50,412 | 106,511 |
| Purchase of financial assets at fair value through profit or loss | (64,313) | (834,478) |
| Proceeds from sale of financial assets at fair value through profit or loss | 347,669 | 540,094 |
| Acquisition of investments accounted for using equity method | (10,690) | (32,089) |
| Payments for property, plant and equipment | (371,283) | (682,005) |
| Proceeds from disposal of property, plant and equipment | 1,527 | - |
| Payments for intangible assets | - | (438) |
| Net cash outflow on acquisition of subsidiary | - | 1,078 |
| Increase in refundable deposits | - | (42,012) |
| Increase in other non-current assets | (11,675) | (2,721) |
| Interest received | <u>17,461</u> | <u>22,158</u> |
| Net cash used in financing activities | (<u>41,395</u>) | (<u>923,902</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 282,732 | 481,976 |
| Repayments of short-term borrowings | (1,219,180) | - |
| Proceeds from issuance of convertible bonds | 600,540 | - |
| Proceeds from long-term borrowings | 613,800 | - |
| Proceeds from guarantee deposits received | 384 | 341 |
| Refund of guarantee deposits received | (43) | - |
| Repayment of the principal portion of lease liabilities | (6,761) | (4,184) |
| Cash dividends paid | (<u>270,842</u>) | (<u>198,177</u>) |
| Net cash flows from (used in) financing activities | <u>630</u> | <u>279,956</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | |
| | <u>9,700</u> | (<u>6,901</u>) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 254,730 | (385,279) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>280,800</u> | <u>666,079</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 535,530</u> | <u>\$ 280,800</u> |
| | | (Concluded) |

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, 2020 and 2019

(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 November 1, 2016. The Company and its subsidiaries (hereinafter referred to as the “Group”) are primarily engaged in the business of developing, manufacturing and selling for LVT and SPC 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 11, 2021.

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:

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |

As of the date the consolidated financial statements were authorized for issue, the Group is assessing the application of other standards and interpretations will not have a significant impact on the Group’s financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| 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, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 6) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 7) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual

reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) 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 result 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.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (1) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (2) the Group chose the accounting policy from options permitted by the standards;
- (3) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (4) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- (5) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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.

1. 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 33: 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) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements

and the definitions of a financial liability and an equity instrument.

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

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

3) Financial liabilities

a) Subsequent measurement

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 33.

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.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount

of the liability component.

5) Derivative financial instruments

The Group enters into derivative financial instruments are foreign exchange forward contracts, dual currency Investment and foreign exchange option 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

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.

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.

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

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

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

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 Group considers the economic implications of the COVID-19 when making its critical accounting 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, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Cash on hand | \$ 1,954 | \$ 2,817 |

| | | |
|---|-------------------|-------------------|
| Checking accounts and demand deposits | 448,363 | 186,660 |
| Cash equivalents (investments with original maturities of less than 3 months) | | |
| Time deposits | <u>85,213</u> | <u>91,323</u> |
| | <u>\$ 535,530</u> | <u>\$ 280,800</u> |

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

| | | |
|--------------|--------------------------|--------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Bank balance | 0.01% ~ 2.05% | 0.01% ~ 2.00% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Derivative financial assets (not under hedge accounting) | | |
| — Foreign exchange forward contracts (a) | \$ - | \$ 707 |
| — Redemption rights of convert bonds (note 21) | 60 | - |
| Hybrid financial assets | | |
| — Dual currency (b) | 28,540 | - |
| — Structured deposits (d) | <u>52,452</u> | <u>335,977</u> |
| | <u>\$ 81,052</u> | <u>\$ 336,684</u> |

Financial liabilities-current

| | | |
|---|---------------|-------------|
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | <u>\$ 447</u> | <u>\$ -</u> |
| — foreign exchange option (c) | | |

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

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

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. As of December 31, 2020, there was a not outstanding forward foreign exchange contract.

- (b) Dual currency investment (DCI) includes a time deposit contract and the foreign exchange option. When the agreement expires, the currency of the principal redemption at maturity is determined according to the spot exchange rate. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows :

| <u>December 31, 2019</u> | <u>Currency</u> | <u>Notional Amount (In Thousands)</u> | <u>Maturity Date</u> | <u>Exchange rate</u> |
|--------------------------|-----------------|---|----------------------|-------------------------|
| DCI | USD/RMB | USD 1,000 | 2021.1.11 | Higher or equal to 6.59 |

The Group entered into DCI 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.

- (c) At the end of the year, outstanding foreign exchange options not under hedge accounting were as follows :

| <u>December 31, 2020</u> | <u>Currency</u> | <u>Maturity Date</u> | <u>Notional Amount (In Thousands)</u> |
|--------------------------|-----------------|----------------------|---|
| Sell | USD/RMB | 2021.1.19 | USD 1,000 /RMB 6,630 |
| Sell | USD/RMB | 2021.1.27 | USD 1,000 /RMB 6,600 |
| Sell | USD/RMB | 2021.2.18 | USD 1,000 /RMB 6,630 |

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.

- (d) 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.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Current</u> | | |
| Investments in debt instruments at FVTOCI | <u>\$ 284,691</u> | <u>\$ 350,515</u> |
| <u>Non-current</u> | | |

| | | |
|---|------------------|------------------|
| Investments in equity instruments at fair value through other comprehensive income (FVTOCI) | \$ 475 | \$ - |
| Investments in debt instruments at FVTOCI | <u>27,925</u> | <u>28,903</u> |
| | <u>\$ 28,400</u> | <u>\$ 28,903</u> |

a. Investments in equity instruments at FVTOCI

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| <u>Non-current</u> | | |
| Foreign investment | | |
| Unlisted shares | | |
| DCM International Corporation Limited | <u>\$ 475</u> | <u>\$ -</u> |

The Groups purchased DCM International Corporation Limited for 500 thousand baht in January 2020. The investment in equity instruments is held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. °

b. Investments in debt instruments at FVTOCI

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------|--------------------------|--------------------------|
| <u>Current</u> | | |
| Foreign investments | | |
| Overseas bond investment | \$ 284,691 | \$ 350,515 |
| <u>Non-current</u> | | |
| Foreign investments | | |
| Overseas bond investment | <u>27,925</u> | <u>28,903</u> |
| | <u>\$ 312,616</u> | <u>\$ 379,418</u> |

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

2) Refer to Note 35 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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------------|--------------------------|--------------------------|
| Gross carrying amount | \$ 294,946 | \$ 377,250 |
| Less: Allowance for impairment loss | (5,205) | (7,354) |
| Amortized cost | 25,202 | 10,657 |
| Effect of exchange rate changes | <u>(2,327)</u> | <u>(1,135)</u> |
| | <u>\$ 312,616</u> | <u>\$ 379,418</u> |

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, 2020

| Category | Description | Basis for Recognizing Expected Credit Losses (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% | \$ 208,040 |
| 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 | 1.37%~12.58% | 86,906 |
| In default | There 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 off | 100% | - |
| | | | | <u>\$ 294,946</u> |

December 31, 2019

| Category | Description | Basis for Recognizing Expected Credit Losses (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 | There 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 off | 100% | - |
| | | | | <u>\$ 377,250</u> |

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 1,2020 | \$ - | \$ 7,354 | \$ - |
| Derecognition (a) | - | (1,650) | - |
| Change in exchange rates or others | - | (499) | - |
| Balance at December 31,2020 | <u>\$ -</u> | <u>\$ 5,205</u> | <u>\$ -</u> |

| | 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 | - | (5,445) | - |
| Change in exchange rates or others | - | 1 | - |
| Balance at December 31,2019 | <u>\$ -</u> | <u>\$ 7,354</u> | <u>\$ -</u> |

- (a). Investments in government bonds rated as doubtful at FVTOCI of \$22,846 thousand and \$62,645 thousand were sold during 2020 and 2019, respectively, with a consequential reduction in the loss allowance for investments rated as doubtful of \$1,650 thousand and \$5,445 thousand , respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|---------------------|
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount- operating | \$ 1,795 | \$ 2,440 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 1,795</u> | <u>\$ 2,440</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 932,527 | \$ 1,003,159 |
| Less: Allowance for impairment loss | (<u>1,869</u>) | (<u>1,248</u>) |
| | <u>\$ 930,658</u> | <u>\$ 1,001,911</u> |
| <u>Other receivables</u> | | |
| Tax refund receivable | \$ 12,463 | \$ 20,803 |
| Interest receivable | 5,784 | 6,931 |
| Others | <u>6,911</u> | <u>4,776</u> |
| | <u>\$ 25,158</u> | <u>\$ 32,510</u> |

(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 to 150 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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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, 2020

| | <u>Not Past Due</u> |
|--------------------------------|---------------------|
| Expected credit loss rate | 0% |
| Gross carrying amount | \$ 1,795 |
| Loss allowance (Lifetime ECLs) | - |
| Amortized cost | <u>\$ 1,795</u> |

December 31, 2019

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

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

December 31, 2020

| | <u>Not Past Due</u> | <u>Less than 60 Days</u> | <u>61 to 90 Days</u> | <u>91 to 120 Days</u> | <u>Over 120 Days</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------------------|--------------------------|---------------------------|--------------------------|-------------------|
| Expected credit loss rate | 0%~0.63% | 0%~4.55% | 0.03%~2.38% | 5.90% | 0.83%~100% | |
| Gross carrying amount | \$ 890,871 | \$ 35,807 | \$ 779 | \$ - | \$ 5,070 | \$ 932,527 |
| Loss allowance (Lifetime ECLs) | (249) | (943) | - | - | (677) | (1,869) |
| Amortized cost | <u>\$ 890,622</u> | <u>\$ 34,864</u> | <u>\$ 779</u> | <u>\$ -</u> | <u>\$ 4,393</u> | <u>\$ 930,658</u> |

December 31, 2019

| | <u>Not Past Due</u> | <u>Less than 60 Days</u> | <u>61 to 90 Days</u> | <u>91 to 120 Days</u> | <u>Over 120 Days</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------------------|--------------------------|---------------------------|--------------------------|---------------------|
| Expected credit loss rate | 0%~0.52% | 0%~7.39% | 4.44% | 8.14% | 17.57%~100% | |
| 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 | <u>\$ 983,891</u> | <u>\$ 17,935</u> | <u>\$ 43</u> | <u>\$ -</u> | <u>\$ 42</u> | <u>\$ 1,001,911</u> |

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

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Balance at January 1 | \$ 1,248 | \$ 1,127 |
| Add: Net remeasurement of loss allowance | 646 | 250 |
| Less: Amounts written off | - | (128) |
| Effect of exchange rate changes | (25) | (1) |
| Balance at December 31 | <u>\$ 1,869</u> | <u>\$ 1,248</u> |

(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, 2020 | December 31, 2019 |
|----------------------------|-------------------|-------------------|
| Commodity | \$ 41,105 | \$ 59,907 |
| Finished goods | 177,694 | 142,048 |
| Work in process | 88,130 | 85,569 |
| Raw materials and supplies | 94,753 | 91,767 |
| Inventory in transit | 29,111 | 42,831 |
| | <u>\$ 430,793</u> | <u>\$ 422,122</u> |

The nature of the cost of goods sold is as follows:

| | For the Year Ended December 31 | 2019 |
|--------------------------|--------------------------------|---------------------|
| | 2020 | 2019 |
| Cost of inventories sold | \$ 2,089,739 | \$ 2,540,903 |
| Inventory write-downs | 6,743 | 35,713 |
| | <u>\$ 2,096,482</u> | <u>\$ 2,576,616</u> |

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Main business | % of ownership | |
|---|--|--|-------------------|-------------------|
| | | | December 31, 2020 | December 31, 2019 |
| M.J. International Co., Ltd. ("M.J. Group") | Prolong International Co., Limited. ("Prolong HK") | Investment holding | 100% | 100% |
| | M.J. International Flooring And Interior Products Inc. ("M.J. Taiwan") | Sale and processing of LVT and SPC floors | (Remark1) | (Remark1) |
| | Opulent International Group Limited ("Opulent") | International trade | 100% | 100% |
| | Fullhouse Investments Limited. | Investment holding | 100% | 100% |
| Fullhouse Investments Limited. | Green Touch Floors Inc. | Sale of engineered wood , LVT and floors decoration materials and construction materials. | (Remark2) | (Remark2) |
| | | | 60% | 60% |
| Prolong HK | Dongguan MeiJer Plastic Products Co., Ltd. ("M.J. Dongguan") | Production and sale of tiles, decoration materials and construction materials, and investment holding. | (Remark1) | (Remark1) |

| Investor | Investee | Main business | % of ownership | |
|------------------|--|--|---------------------|---------------------|
| | | | December 31,2020 | December 31,2019 |
| M.J. Dongguan | Dongguan Prolong Plastic Products Co., Ltd.(“Prolong Dongguan”) | Production and sale of tiles, decoration materials and construction materials, and investment holding. | 100% | 100% |
| | 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% | 100% (Remark4) |
| | Beijing M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Beijing”) | Sale of plastic tiles, decoration materials and construction materials. | 75% | 75% (Remark5) |
| | 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% |
| | Shenyang M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Shenyang”) | Sale of plastic tiles, decoration materials and construction materials. | 100% (Remark6) | 100% (Remark6) |
| | M.J. Beijing | Sale of plastic tiles, decoration materials and construction materials. | 25% | 25% (Remark5) |
| | | | | |

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 and April 2020, the Group invested USD 3,000 thousand and USD 2,000 thousand in Prolong HK, and Prolong HK invested M.J. Dongguan USD 3,100 thousand and USD 2,000 thousand.
- 2) FULLHOUSE INVESTMENTS LIMITED was incorporation on November 2, 2018.The Group invested USD 1,295 thousand, USD436 thousand and US20 thousand in April 2019, September and January 2020.
- 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) Prolong Dongguan invested in M.J. Shenyang RMB50 thousand and RM 43 thousand in June 2019 and January 2020.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in associates

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| 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 NTD 1,526 thousand (presented in other gain or loss) .

b. Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|--|--------------------------------|--------|
| | 2020 | 2019 |
| The Group's share of: | | |
| Profit/(loss) from continuing operations | \$ - | \$ 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 | Equipment under Installation and Construction in Progress | Total |
|---|-------------------|-------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|---|--------------------|
| Cost | | | | | | | | | |
| Balance at January 1, 2020 | \$ 456,595 | \$ 769,343 | \$ 799,799 | \$ 44,165 | \$ 31,178 | \$ 13,548 | \$ 157,827 | \$ 1,018 | \$2,273,473 |
| Additions | - | 2,598 | 24,825 | 1,164 | 943 | 1,039 | 4,788 | 360,970 | 396,327 |
| Disposals | - | - | (24,112) | (9,922) | (3,362) | (615) | (2,216) | - | (40,227) |
| Reclassified (Remark) | - | - | 38,382 | - | - | - | 431 | - | 38,813 |
| Effect of exchange rate changes | - | 9,578 | 13,077 | 523 | 405 | 230 | 2,640 | - | 26,453 |
| Balance at December 31, 2020 | <u>\$ 456,595</u> | <u>\$ 781,519</u> | <u>\$ 851,971</u> | <u>\$ 35,930</u> | <u>\$ 29,164</u> | <u>\$ 14,202</u> | <u>\$ 163,470</u> | <u>\$ 361,988</u> | <u>\$2,694,839</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 210,727 | \$ 412,282 | \$ 33,462 | \$ 21,287 | \$ 9,852 | \$ 62,926 | \$ - | \$ 750,536 |
| Disposals | - | - | (21,314) | (9,599) | (3,362) | (506) | (2,216) | - | (36,997) |
| Depreciation expenses | - | 36,494 | 70,563 | 3,529 | 3,295 | 1,631 | 29,610 | - | 145,122 |
| Effect of exchange rate changes | - | 3,915 | 7,211 | 407 | 321 | 227 | 1,603 | - | 13,684 |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 251,136</u> | <u>\$ 468,742</u> | <u>\$ 27,799</u> | <u>\$ 21,541</u> | <u>\$ 11,204</u> | <u>\$ 91,923</u> | <u>\$ -</u> | <u>\$ 872,345</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 456,595</u> | <u>\$ 530,383</u> | <u>\$ 383,229</u> | <u>\$ 8,131</u> | <u>\$ 7,623</u> | <u>\$ 2,998</u> | <u>\$ 71,547</u> | <u>\$ 361,988</u> | <u>\$1,822,494</u> |
| Cost | | | | | | | | | |
| 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 30) | - | - | - | - | - | 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 | <u>\$ 456,595</u> | <u>\$ 769,343</u> | <u>\$ 799,799</u> | <u>\$ 44,165</u> | <u>\$ 31,178</u> | <u>\$ 13,548</u> | <u>\$ 157,827</u> | <u>\$ 1,018</u> | <u>\$2,273,473</u> |
| 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 | <u>\$ -</u> | <u>\$ 210,727</u> | <u>\$ 412,282</u> | <u>\$ 33,462</u> | <u>\$ 21,287</u> | <u>\$ 9,852</u> | <u>\$ 62,926</u> | <u>\$ -</u> | <u>\$ 750,536</u> |
| Carrying amounts at December 31, 2019 | <u>\$ 456,595</u> | <u>\$ 558,616</u> | <u>\$ 387,517</u> | <u>\$ 10,703</u> | <u>\$ 9,891</u> | <u>\$ 3,696</u> | <u>\$ 94,901</u> | <u>\$ 1,018</u> | <u>\$1,522,937</u> |

Remark : Reclassified into the property, plant and equipment or other non-current assets from the property in construction or equipment under installation.

There were no significant impairment losses for the years ended December 31, 2020 and December 31, 2019.

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

| | |
|---|-------------|
| Buildings | |
| Main buildings | 20~ 55Years |
| Others | 10~20Years |
| Machinery and equipment | 3~10Years |
| Molding equipment | 5Years |
| Transportation equipment | 5Years |
| Office equipment | 3~5Years |
| Other equipment | 3~10Years |
| Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 35. | |

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|---------------------------------------|--------------------------|
| <u>Carrying amounts</u> | | |
| Land | \$ 52,053 | \$ 52,582 |
| Buildings | <u>13,158</u> | <u>18,130</u> |
| | <u>\$ 65,211</u> | <u>\$ 70,712</u> |
| | <u>For the Year Ended December 31</u> | |
| | <u>2020</u> | <u>2019</u> |
| Acquisitions through business combinations | \$ - | \$ 14,940 |
| Depreciation charge for right-of-use assets | <u>1,946</u> | <u>-</u> |
| | <u>\$ 1,946</u> | <u>\$ 14,940</u> |
| Depreciation expense | | |
| Land | \$ 1,329 | \$ 1,391 |
| Bulidings | <u>6,361</u> | <u>3,766</u> |
| | <u>\$ 7,690</u> | <u>\$ 5,157</u> |

Except for the depreciation expenses obtained, added, and recognized by the business combination listed above, the combined company's right-of-use assets did not undergo significant sub-lease and impairment in 2020 and 2019.

b. Lease liabilities

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------|--------------------------|--------------------------|
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 6,241</u> | <u>\$ 6,207</u> |
| Non-Current | <u>\$ 7,732</u> | <u>\$ 13,133</u> |

Range of discount rate for lease liabilities was as follows

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------|--------------------------|--------------------------|
| Bulidings | 3.30%~5% | 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 1 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

| | For the Year Ended December 31 | |
|--|--------------------------------|--------------|
| | 2020 | 2019 |
| Expenses relating to short-term leases | \$ 3,365 | \$ 4,666 |
| Total cash outflow for leases | (\$ 10,883) | (\$ 9,285) |

16. INVESTMENT PROPERTIES

| | Buildings |
|---|------------------|
| <u>Cost</u> | |
| Balance at January 1, 2020 | \$ 60,679 |
| Effects of foreign currency exchange differences | 951 |
| Balance at December 31, 2020 | <u>\$ 61,630</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2020 | \$ 14,917 |
| Depreciation expenses | 3,024 |
| Effects of foreign currency exchange differences | 291 |
| Balance at December 31, 2020 | <u>\$ 18,232</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 43,398</u> |
| <u>Cost</u> | |
| 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 | <u>\$ 60,679</u> |
| <u>Accumulated depreciation</u> | |
| 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 | <u>\$ 14,917</u> |
| Carrying amounts at December 31, 2019 | <u>\$ 45,762</u> |

- (a). The lease term of investment real estate is 2 years, but the lessee has terminated the contract in advance in May 2020, and has forfeited its deposit, accounting for other benefits and losses. The merged company added a new lease agreement in October 2020. The lease period is 2 years, and the lessee does not have a bargain purchase options to acquire the investment properties at the expiry of the lease periods.
- (b). The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 was as follows:

December 31, 2020

December 31, 2019

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------|--------------------------|--------------------------|
| Year1 | \$ 2,303 | \$ 3,558 |
| Year2 | <u>2,111</u> | <u>2,075</u> |
| | <u>\$ 4,414</u> | <u>\$ 5,633</u> |

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

| | |
|----------|----------|
| Building | 20 Years |
|----------|----------|

(d).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.

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------|--------------------------|--------------------------|
| Fair value | <u>\$ 48,999</u> | <u>\$ 48,243</u> |

(e).There was no indication of impairment for the year ended December 31, 2020 and 2019.

17. GOODWILL

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| Cost | | |
| Balance at January 1 | \$ 8,795 | \$ - |
| Additional amounts recognized from business combinations that occurred during the year (Note 30) | - | 9,106 |
| Effect of foreign currency exchange differences | (<u>440</u>) | (<u>311</u>) |
| Balance at December 31 | <u>\$ 8,355</u> | <u>\$ 8,795</u> |

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 goodwill for the year ended December 31, 2020 and 2019.

18. OTHER INTANGIBLE ASSETS

| | <u>Patents</u> | <u>Software</u> | <u>Customer Relationship</u> | <u>Total</u> |
|---|----------------|-----------------|------------------------------|------------------|
| <u>Cost</u> | | | | |
| Balance at January 1,2020 | \$ 967 | \$ 4,671 | \$ 40,039 | \$ 45,677 |
| Disposals | - | (4,021) | - | (4,021) |
| Effect of foreign currency exchange differences | - | (<u>212</u>) | (<u>2,002</u>) | (<u>2,214</u>) |
| Balance at December 31,2020 | <u>\$ 967</u> | <u>\$ 438</u> | <u>\$ 38,037</u> | <u>\$ 39,442</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1,2020 | \$ 828 | \$ 3,783 | \$ 2,002 | \$ 6,613 |
| Amortization expenses | 113 | 734 | 7,893 | 8,740 |
| Disposals | - | (4,021) | - | (4,021) |

| | | | | |
|--|---------------|-----------------|------------------|------------------|
| Effect of foreign currency exchange differences | <u>-</u> | <u>(204)</u> | <u>(385)</u> | <u>(589)</u> |
| Balance at December 31,2020 | <u>\$ 941</u> | <u>\$ 292</u> | <u>\$ 9,510</u> | <u>\$ 10,743</u> |
| Carrying amounts at December 31,2020 | <u>\$ 26</u> | <u>\$ 146</u> | <u>\$ 28,527</u> | <u>\$ 28,699</u> |
| <u>Cost</u> | | | | |
| 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 | <u>-</u> | <u>(104)</u> | <u>(1,416)</u> | <u>(1,520)</u> |
| Balance at December 31,2019 | <u>\$ 967</u> | <u>\$ 4,671</u> | <u>\$ 40,039</u> | <u>\$ 45,677</u> |
| <u>Accumulated amortization</u> | | | | |
| 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 | <u>-</u> | <u>(99)</u> | <u>(62)</u> | <u>(161)</u> |
| Balance at December 31,2019 | <u>\$ 828</u> | <u>\$ 3,783</u> | <u>\$ 2,002</u> | <u>\$ 6,613</u> |
| Carrying amounts at December 31,2019 | <u>\$ 139</u> | <u>\$ 888</u> | <u>\$ 38,037</u> | <u>\$ 39,064</u> |

There was no indication of impairment for the year ended December 31, 2020 and 2019.

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 | |
|-------------------------------------|--------------------------------|-----------------|
| | 2020 | 2019 |
| Selling and marketing expenses | \$ 146 | \$ 110 |
| General and administrative expenses | <u>8,594</u> | <u>3,776</u> |
| | <u>\$ 8,740</u> | <u>\$ 3,886</u> |

19. OTHER ASSETS

| | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|
| <u>Current</u> | | |
| Offset Against Business Tax Payable | \$ 74,674 | \$ 83,720 |
| Prepayments | 34,900 | - |
| Others | <u>14,792</u> | <u>17,936</u> |
| | <u>\$ 124,366</u> | <u>\$ 101,656</u> |
| <u>Non-Currnt</u> | | |
| Prepayments for equipment | \$ 13,747 | \$ 29,481 |
| Long-term prepayment | - | 11,581 |
| Refundable deposit (a) | <u>45,848</u> | <u>45,778</u> |
| | <u>\$ 59,595</u> | <u>\$ 86,840</u> |

- (a). 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.

20. BORROWINGS

Short-term borrowings

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|--------------------------|--------------------------|
| <u>Secured borrowings</u> | | |
| Bank loans (Note 35) | \$ - | \$ 480,000 |
| <u>Unsecured borrowings</u> | | |
| Line of credit borrowings | <u>894</u> | <u>464,000</u> |
| | <u>\$ 894</u> | <u>\$ 944,000</u> |

As of December 31, 2019, the interest rates for the secured bank loans were 0.93% and the loans were secured by a part of the investment in debt instruments held by the Group. Refer to Note 35. ° As of December 31, 2020 and 2019, the interest rates on the unsecured bank loans were 0.90%, respectively.

Long-term borrowings

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Secured borrowings (Note 35)</u> | | |
| Bank loans (1) | \$ 353,600 | \$ - |
| Bank loans (Note 35) | 260,200 | - |
| Less: Discounts on government grant (Note 29) | (<u>16,792</u>) | - |
| | <u>\$ 597,008</u> | <u>\$ -</u> |

Note 1: The group obtained a newly allocated bank loan of NT\$353,600,000. The loan interest rate is 1.45%, 10 years from the grant date on June 4, 2020, including grace period 3 years. Since the grace period expires, the principal will be amortized evenly in monthly installments, and the principal will be amortized evenly in 85 installments. The transfer amount is guaranteed by the land held by the combined company. Please refer to note 35.

Note 2: The Groups has obtained a government preferential interest rate loan from the National Development Fund (NDF), Executive Yuan " the Action Plan for Returning Overseas Taiwanese Businesses" for construction of factory buildings and purchase of machinery and equipment. The equipment under installation and construction in progress were provided as collateral for bank borrowings, please refer to note 29 and 35.

21. Bonds payable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------------|--------------------------|--------------------------|
| Unsecured domestic convertible bonds | <u>580,062</u> | \$ - |
| Less : Current portion | - | - |
| | <u>\$ 580,062</u> | <u>\$ -</u> |

The terms of the first domestic convertible bonds issue by the Company are as follows:

At August 12, 2020, the Company issued 6 thousand, interest rate 0% and 101% of the par value NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$600,000 thousand. The issuance period from August 12, 2020 to August 12, 2023.

Except for the holders of the converted corporate bonds applying for conversion into ordinary shares of the Company, the company's early redemption of corporate bonds, or the company's purchase and cancellation by the securities firm's business premises, When the converted bonds expire, the company will pay 100.75% of the bond's face value to the bondholders in one lump sum.

The bondholders have the right to ask for conversion of the bonds into ordinary shares of the Company during the period from the date after 3 months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations.

At August 4, 2020 is used as the reference date for the determination of the conversion price. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$76. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. Since the Company applied for ex-dividend on August 12 2020, the conversion price of bonds was adjusted to \$71.4 per share.

The convertible bonds contain assets、liability and equity components. The assets component was presented in financial assets at fair value through profit or loss. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 1.29% per annum on initial recognition.

| | |
|---|-------------------|
| Proceeds from issuance (less transaction costs of \$5,460 thousand) | \$ 600,540 |
| Redemption component at the date of issue | 120 |
| Equity component | (23,488) |
| Liability component at the date of issue | 577,172 |
| Interest charged at an effective interest rate of 1.29% | 2,890 |
| Liability component at December 31,2020 | <u>\$ 580,062</u> |

22. OTHER LIABILITIES

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| <u>Current</u> | | |
| Other payables | | |
| Payables for salaries and (bonuses including remuneration to employees and directors) | \$ 69,468 | \$ 84,856 |
| Payables for employee benefits | 40,598 | 38,304 |
| Payable for gas and oil expenses | 12,821 | 14,581 |
| Payable for repairs maintenance | 7,395 | 40,636 |
| Payables for purchase of equipment(Note31) | 48,631 | 26,598 |
| Payable for freight | 6,811 | 10,810 |
| Payable for utility fees | 10,929 | 13,884 |
| Payable for royalty | 6,262 | 5,516 |
| Payable for commission | 1,405 | 4,536 |
| Payable for import/export expenses | 364 | 4,582 |
| Payable for service fees | 6,845 | 1,927 |
| Tax payable | 1,972 | 397 |
| Payable for investment (Note13,30 and 31) | - | 10,690 |
| Refund liability | 1,870 | 8,706 |
| Others | 42,277 | 52,564 |
| | <u>\$ 257,648</u> | <u>\$ 318,587</u> |

23. PROVISIONS

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| <u>Current</u> | | |
| Warranties | <u>\$ 8,192</u> | <u>\$ 14,788</u> |
| | | <u>Warranties</u> |
| Balance at January 1,2019 | | \$ 14,788 |
| Additional provisions recognized | | 9,547 |
| Amount used | | (15,623) |
| Effect of foreign currency exchange differences | | (520) |
| Balance at December 31,2019 | | <u>\$ 8,192</u> |

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

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| Shares authorized (in thousands of shares) | <u>150,000</u> | <u>150,000</u> |
| Authorized capital | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> |
| Shares issued and fully paid (in thousands of shares) | <u>66,059</u> | <u>66,059</u> |
| Issued capital | <u>\$ 660,590</u> | <u>\$ 660,590</u> |

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

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| 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 |
| <u>May be used to offset a deficit only(2)</u> | | |
| Employee share bonus- additional paid-in capital | 7,265 | 7,265 |
| <u>May not be used for any purpose</u> | | |
| Share warrants (Note 21) | <u>23,488</u> | <u>-</u> |
| | <u>\$ 1,229,455</u> | <u>\$ 1,205,967</u> |

- 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 dividends policy

The shareholders of the Company held their regular meeting on June 9, 2020 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The definition of the legal reserve in the articles of association, set aside 10 % as legal reserve which is based on the current year's after-tax net profit plus the current year's after-tax net profit and the amount included in the current year's undistributed surplus.

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 2019 and 2018 were approved in the shareholders' meetings on June 9, 2020 and June 5, 2019, respectively, as follows:

| | For the Year Ended, December 31 | |
|---------------------------------|---------------------------------|------------|
| | 2019 | 2018 |
| Legal reserve | \$ 40,246 | \$ 31,044 |
| Special reserve | \$ 47,842 | \$ 27,584 |
| Cash dividends | \$ 270,842 | \$ 198,177 |
| Cash dividends per share (NT\$) | \$ 4.1 | \$ 3.0 |

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 11, 2021 was as follows:

| | For the Year Ended December 31, 2020 |
|---------------------------------|---|
| Legal reserve | \$ 27,898 |
| Special reserve | (\$ 8,887) |
| Cash dividends | \$ 198,177 |
| Cash dividends per share (NT\$) | \$ 3.0 |

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 3, 2021.

d. Other equity items

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

| | 2020 | 2019 |
|--|--------------|--------------|
| Balance at January 1 | (\$ 138,545) | (\$ 52,670) |
| Recognized for the year | | |
| Exchange differences on translating the financial statements of foreign operations | (5,658) | (85,875) |
| 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 | (5,658) | (85,875) |
| Balance at December 31 | (\$ 144,203) | (\$ 138,545) |

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

| | 2020 | 2019 |
|--|------------------|------------------|
| Balance at January 1 | \$ 10,657 | (\$ 27,376) |
| Recognized for the year | | |
| Unrealized gain/(loss) - debt instruments | 1,583 | 39,941 |
| Reclassification adjustments | | |
| Disposal of investments in debt instruments | <u>12,962</u> | <u>(1,908)</u> |
| Other comprehensive income recognized for the year | <u>14,545</u> | <u>38,033</u> |
| Balance at December 31 | <u>\$ 25,202</u> | <u>\$ 10,657</u> |

e. Non-controlling interests

| | 2020 | 2019 |
|--|------------------|------------------|
| Balance at January 1 | \$ 29,926 | \$ - |
| Share in loss for the year | (1,414) | (131) |
| Other comprehensive income/(loss) during the year | | |
| Exchange differences on translating the financial statements of foreign entities | <u>(1,032)</u> | <u>(839)</u> |
| | <u>(2,446)</u> | <u>(970)</u> |
| Non-controlling interests arising from acquisition of subsidiaries (see Note 30) | <u>-</u> | <u>30,896</u> |
| Balance at December 31 | <u>\$ 27,480</u> | <u>\$ 29,926</u> |

25. REVENUE

a. Contract information- Revenue from the sale of goods

The Group engages in production and sale of LVT and SPC 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, 2020 | December 31, 2019 | January 31, 2019 |
|--|----------------------|----------------------|---------------------|
| Note receivable (including related party) (Notes 10 and 33) | <u>\$ 1,795</u> | <u>\$ 3,205</u> | <u>\$ 9,428</u> |
| Trade receivable (including related party) (Notes 10 and 33) | <u>\$ 969,451</u> | <u>\$ 1,050,251</u> | <u>\$ 960,006</u> |
| Contract liabilities | | | |
| Sale of goods | <u>\$ 29,967</u> | <u>\$ 42,952</u> | <u>\$ 31,588</u> |

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

| | 2020 | 2019 |
|--|------------------|------------------|
| From contract liabilities at the start of the year | | |
| Sale of goods | \$ <u>42,024</u> | \$ <u>30,373</u> |

c. Disaggregation of revenue

Refer to Note 40 for information about the disaggregation of revenue.

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|---|--------------------------------|------------------|
| | 2020 | 2019 |
| Bank deposits | \$ 2,506 | \$ 5,961 |
| Financial assets at FVTPL | 3,744 | 4,045 |
| Investments in debt instruments at FVTOCI | <u>16,462</u> | <u>21,103</u> |
| | <u>\$ 22,712</u> | <u>\$ 31,109</u> |

b. Other income

| | For the Year Ended December 31 | |
|-----------------------|--------------------------------|-----------------|
| | 2020 | 2019 |
| Rental income | | |
| Investment properties | \$ 1,413 | \$ 1,632 |
| Government grants | <u>9,815</u> | <u>-</u> |
| | <u>\$ 11,228</u> | <u>\$ 1,632</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|--|--------------------------------|-------------------|
| | 2020 | 2019 |
| Gain/(loss) on disposal of financial assets | | |
| Investments in debt instruments at FVTOCI | (\$ 12,962) | \$ 1,908 |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | 805 | 729 |
| Financial liabilities held for trading | (242) | - |
| Loss on disposal of property, plant and equipment | (1,703) | (95) |
| Gains on disposal of investments for using the equity method | - | 1,526 |
| Net foreign exchange gains/(losses) | (67,604) | (18,166) |
| Gain on confiscation of refundable deposit (note 16) | 282 | - |
| Others | <u>13,500</u> | <u>5,394</u> |
| | <u>(\$ 67,924)</u> | <u>(\$ 8,704)</u> |

d. Finance costs

| | For the Year Ended December 31 | |
|---|--------------------------------|-----------------|
| | 2020 | 2019 |
| Interest on bank loans | \$ 8,697 | \$ 5,045 |
| Interest on convertible bonds (Note 16) | 2,890 | - |
| Interest on lease liabilities | 757 | 435 |
| Less: Amounts included in the cost of qualifying assets | (3,011) | - |
| | <u>\$ 9,333</u> | <u>\$ 5,480</u> |

Information about capitalized interest is as follows:

| | For the Year Ended December 31 | |
|-----------------------------|--------------------------------|------|
| | 2020 | 2019 |
| Capitalized interest amount | \$ 3,011 | \$ - |
| Capitalization rate | 1.45% ~ 1.65% | - |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|--------------------------------|-------------------|
| | 2020 | 2019 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 119,333 | \$ 94,033 |
| Operating expenses | <u>36,503</u> | <u>39,337</u> |
| | <u>\$ 155,836</u> | <u>\$ 133,370</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 8,740</u> | <u>\$ 3,886</u> |

f. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|--|--------------------------------|-----------------|
| | 2020 | 2019 |
| Investment properties generating rental income | | |
| Depreciation | \$ 3,024 | \$ 1,582 |
| Others | <u>438</u> | <u>214</u> |
| | <u>\$ 3,462</u> | <u>\$ 1,796</u> |

g. Employee benefits expense

| | For the Year Ended December 31 | |
|-------------------------------------|--------------------------------|-------------------|
| | 2020 | 2019 |
| Post-employment benefits | | |
| Defined contribution plan(see Note) | \$ 4,945 | \$ 20,161 |
| Other employee benefits | <u>383,721</u> | <u>430,965</u> |
| Total employee benefits expense | <u>\$ 388,666</u> | <u>\$ 451,126</u> |

| | For the Year Ended December 31 | |
|--|--------------------------------|-------------------|
| | 2020 | 2019 |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 230,328 | \$ 285,884 |
| Operating expenses | <u>158,338</u> | <u>165,242</u> |
| | <u>\$ 388,666</u> | <u>\$ 451,126</u> |

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.

h. 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, 2020 and 2019, which were approved by the Company's board of directors on March 11, 2020 and March 5, 2019, respectively, are as follows: :

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|--------------------------------|-------|
| | 2020 | 2019 |
| Employees' compensation | 3.94% | 4.64% |
| Remuneration of directors | 3.54% | 3.86% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|--------------------------------|-----------|
| | 2020 | 2019 |
| | cash | cash |
| Employees' compensation | \$ 15,394 | \$ 23,194 |
| Remuneration of directors | 13,862 | 19,328 |

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, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by

the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|--------------------------------|--------------|
| | 2020 | 2019 |
| Foreign exchange gains | \$ 24,241 | \$ 54,847 |
| Foreign exchange losses | (91,845) | (73,013) |
| Net gain (loss) | (\$ 67,604) | (\$ 18,166) |

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 | |
|---|--------------------------------|------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 84,243 | \$ 106,933 |
| Income tax on unappropriated earnings | 278 | 570 |
| Adjustments for prior year | (1,969) | (5,479) |
| | 82,552 | 102,024 |
| Deferred tax | | |
| In respect of the current year | 1,684 | (46,674) |
| | 1,684 | (46,674) |
| Income tax expense (benefit) recognized in profit or loss | \$ 84,236 | \$ 55,350 |

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

| | For the Year Ended December 31 | |
|--|--------------------------------|------------|
| | 2020 | 2019 |
| Profit before tax from continuing operations | \$ 361,807 | \$ 457,684 |
| Income tax expense calculated at the statutory rate | \$ 83,270 | \$ 93,435 |
| Nondeductible expenses in determining taxable income | 2,856 | 6,469 |
| Deferred tax effect of earnings of subsidiaries | - | (45,056) |
| Income tax on unappropriated earnings | 278 | 570 |
| Unrecognized deductible temporary differences | (199) | 5,411 |
| Adjustments for prior years' tax | (1,969) | (5,479) |
| Effect of tax rate changes | \$ 84,236 | \$ 55,350 |

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------|--------------------------|--------------------------|
| Current tax assets | | |
| Tax refund receivable | <u>\$ 1,558</u> | <u>\$ 639</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 65,129</u> | <u>\$ 63,340</u> |

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, 2020

| | <u>Opening Balance</u> | <u>Recognized in Profit or Loss</u> | <u>Exchange Differences</u> | <u>Closing Balance</u> |
|--|----------------------------|---|---------------------------------|----------------------------|
| <u>Deferred Tax Assets</u> | | | | |
| Temporary differences | | | | |
| Allowance for impairment loss | \$ 133 | \$ 9 | \$ - | \$ 142 |
| Inventory obsolescence and valuation loss | 302 | - | - | 302 |
| Unrealized gain or loss on exchange | 272 | 239 | - | 511 |
| Provisions | 2,959 | (1,215) | (105) | 1,639 |
| Refund liabilities | <u>1,740</u> | <u>(1,328)</u> | <u>(39)</u> | <u>373</u> |
| | <u>\$ 5,406</u> | <u>(\$ 2,295)</u> | <u>(\$ 144)</u> | <u>\$ 2,967</u> |
| <u>Deferred Tax Liabilities</u> | | | | |
| Temporary differences | | | | |
| Unrealized gain or loss on exchange | \$ 620 | (\$ 611) | (\$ 9) | \$ - |
| Others | <u>8,345</u> | <u>-</u> | <u>131</u> | <u>8,476</u> |
| | <u>\$ 8,965</u> | <u>(\$ 611)</u> | <u>\$ 122</u> | <u>\$ 8,476</u> |

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---|--------------------|---------------------------------|-------------------------|--------------------|
| <u>Deferred Tax Assets</u> | | | | |
| 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 |
| | <u>\$ 4,036</u> | <u>\$ 1,493</u> | <u>(\$ 123)</u> | <u>\$ 5,406</u> |
| <u>Deferred Tax Liabilities</u> | | | | |
| Temporary differences | | | | |
| Unrealized gain or loss on exchange | \$ 759 | (\$ 125) | (\$ 14) | \$ 620 |
| Investment income | 45,056 | (45,056) | - | - |
| Others | 8,691 | - | (346) | 8,345 |
| | <u>\$ 54,506</u> | <u>(\$ 45,181)</u> | <u>(\$ 360)</u> | <u>\$ 8,965</u> |

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

| | December 31, 2020 | December 31, 2020 |
|---|-------------------|-------------------|
| Inventory obsolescence and valuation loss | <u>\$ 59,438</u> | <u>\$ 58,850</u> |

- e. Income tax assessments

As of December 31, 2020, 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 2018, have been assessed by the tax authorities.

28. EARNINGS PER SHARE

| | Unit: NT\$ Per Share | |
|----------------------------|--------------------------------|---------------|
| | For the Year Ended December 31 | |
| | 2020 | 2019 |
| Basic earnings per share | | |
| From continuing operations | <u>\$ 4.22</u> | <u>\$6.09</u> |
| Diluted earnings per share | | |
| From continuing operations | <u>\$ 4.18</u> | <u>\$6.06</u> |

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 | |
|---|--------------------------------|-------------------|
| | 2020 | 2019 |
| Profit for the year attributable to owners of the Company | <u>\$ 278,985</u> | <u>\$ 402,465</u> |

Earnings used in the computation of

| | For the Year Ended December 31 | |
|--|--------------------------------|-------------------|
| | 2020 | 2019 |
| basic earnings per share | | |
| Effect of potentially dilutive ordinary shares : | | |
| Convertible bonds | \$ 278,985 | \$ 402,465 |
| | <u>2,950</u> | <u>-</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 281,935</u> | <u>\$ 402,465</u> |

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

| | For the Year Ended December 31 | |
|--|--------------------------------|---------------|
| | 2020 | 2019 |
| 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 | | |
| Convertible bonds | 1,125 | - |
| Compensation of employees | <u>297</u> | <u>389</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>67,481</u> | <u>66,448</u> |

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. GOVERNMENT GRANTS

Except as disclosed in other notes, the government grants obtained by the Groups are as follows.

As of December 31, 2020, the Groups has obtained a government preferential interest rate loan of \$NTD 260,200 thousand from the National Development Fund (NDF), Executive Yuan " the Action Plan for Returning Overseas Taiwanese Businesses" for construction of factory buildings and purchase of machinery and equipment. The loan will be amortized by instalments within 10 years from the date of first use (including a grace period of 3 years). Based on the current market interest rate of 1.65%, the fair value of the borrowing is estimated to be \$NTD 242,985 thousand. The difference between the loan amount and the fair value of the borrowing is 17,215 thousand yuan as the preferential interest rate of the government grant, and it is recognized as deferred income-non-current. The deferred income will be transferred to other income in accordance with its service life when the plant is completed and the inspection and acceptance of the machinery and equipment are completed. In 2020, the Group recognized the interest expense of the loan as \$NTD 423 thousand.

If the Groups fails to meet the key points of the project loan identification during the loan

period, and the NDF suspends or stops the loan interest grant, the Groups will change to the original agreed interest rate and return all the fees paid by the NDF for the case.

30. 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% | <u>\$ 55,450</u> |

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 | <u>\$ 13,395</u> |
| The equity previously held by the company at fair value on the date of acquisition | <u>42,055</u> |
| | <u>\$ 55,450</u> |

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) |
| | <u>\$ 77,240</u> |

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 shareholders 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 | <u>\$ 9,106</u> |
| 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 and future market development. These benefits are not recognized separately from goodwill. | |

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) |
| | <u>(\$ 1,078)</u> |

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 | <u>\$ 26,691</u> |
| Profit | <u>\$ 1,735</u> |

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.

31. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Group purchased property, plant and equipment amounting to 48,631 thousand and 26,598 thousand have not been paid, presented in other payables.
- 2) Acquired investment using the equity method As of December 31, 2019, there are still 10,690 thousand has not been paid presented in other payables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | | Others(1) | Closing Balance |
|-----------------------------|-------------------|-------------------|------------------|-----------------|------------------------|----------------------|----------------------|--------------------|
| | | | Financial costs | New Leases | Fair Value Adjustments | Exchange Rate Change | | |
| Short-term borrowings | \$ 944,000 | (\$ 936,448) | \$ - | \$ - | \$ - | (\$ 6,658) | \$ - | \$ 894 |
| Lease liabilities | 19,340 | (6,761) | 757 | 1,946 | - | (552) | (757) | 13,973 |
| Bonds payable | - | 600,540 | 2,890 | - | - | - | (23,368) | 580,062 |
| Long-term borrowings | - | 613,800 | 423 | - | (17,215) | - | - | 597,008 |
| Guarantee deposits received | 358 | 341 | - | - | - | (26) | (282) | 391 |
| | <u>\$ 963,698</u> | <u>\$ 271,472</u> | <u>\$ 4,070</u> | <u>\$ 1,946</u> | <u>(\$ 17,215)</u> | <u>(\$ 7,236)</u> | <u>(\$ 24,407)</u> | <u>\$1,192,328</u> |

Including the amount of interest paid for the lease liability 757 thousand and Issuing convertible corporate bonds to recognize related assets and equity, please refer to note21.

For the year ended December 31, 2019

| | Opening Balance | Cash Flows | Non-cash Changes | | | | Others(1) | Closing Balance |
|-----------------------------|-------------------|-------------------|------------------|-----------------------------|----------------------|-------------------|-----------|-------------------|
| | | | Financial costs | Acquisition of Subsidiaries | Exchange Rate Change | | | |
| Short-term borrowings | \$ 474,000 | \$ 481,976 | \$ - | \$ - | (\$ 11,976) | \$ - | \$ - | \$ 944,000 |
| Lease liabilities | 9,095 | (4,184) | 435 | 14,940 | (511) | (435) | - | 19,340 |
| Guarantee deposits received | - | 341 | - | 32 | (15) | - | - | 358 |
| | <u>\$ 483,095</u> | <u>\$ 478,133</u> | <u>\$ 435</u> | <u>\$ 14,792</u> | <u>(\$ 12,502)</u> | <u>(\$ 435)</u> | - | <u>\$ 963,698</u> |

The amount of interest paid for the lease liability 435 thousand.

32. 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

33. FINANCIAL INSTRUMENTS

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

December 31, 2020

| | Carrying | Fair Value | | | |
|---|------------|------------|---------|---------|------------|
| | Amount | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 580,062 | \$ 629,700 | \$ - | \$ - | \$ 629,700 |

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

1) Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|------------------|--------------|------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Hybrid financial assets – Dual currency | \$ - | \$ 28,540 | \$ - | \$ 28,540 |
| Hybrid financial assets Structured deposits | - | 52,452 | - | 52,452 |
| Redemption rights of convert bonds | - | - | 60 | 60 |
| | <u>\$ -</u> | <u>\$ 80,992</u> | <u>\$ 60</u> | <u>\$ 81,052</u> |

Financial assets at FVTOCI

| | | | | |
|-----------------------------------|-------------|------------------|---------------|-------------------|
| Investments in equity instruments | | | | |
| foreign Unlisted shares | \$ - | \$ - | \$ 475 | \$ 475 |
| Investments in debt instruments | | | | |
| foreign debt instruments | - | 312,616 | - | 312,616 |
| | <u>\$ -</u> | <u>\$312,616</u> | <u>\$ 475</u> | <u>\$ 313,091</u> |

Financial liabilities at FVTPL

| | | | | |
|---------------------------------------|-------------|---------------|-------------|---------------|
| Derivatives – foreign exchange option | <u>\$ -</u> | <u>\$ 447</u> | <u>\$ -</u> | <u>\$ 447</u> |
|---------------------------------------|-------------|---------------|-------------|---------------|

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|-------------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Derivatives - forward foreign exchange contract | \$ - | \$ 707 | \$ - | \$ 707 |
| Structured deposits | - | 335,977 | - | 335,977 |
| | <u>\$ -</u> | <u>\$ 336,684</u> | <u>\$ -</u> | <u>\$ 336,684</u> |

Financial assets at FVTOCI

| | | | | |
|---------------------------------|-------------|-------------------|-------------|-------------------|
| Investments in debt instruments | | | | |
| foreign debt instruments | <u>\$ -</u> | <u>\$ 379,418</u> | <u>\$ -</u> | <u>\$ 379,418</u> |

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 2020 and 2019.

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

For the year ended December 31, 2020

| Financial Assets | Financial Assets at FVTPL Derivatives | Financial Assets at FVTOCI Equity Instruments |
|---|---|---|
| Balance at January 1, 2020 | \$ - | \$ - |
| Recognized in profit or loss (included in other gains and losses) | (60) | - |
| Purchase | - | 503 |
| Redemption rights of convert bonds | 120 | - |
| Effects of foreign currency exchange differences | - | (28) |
| Balance at December 31, 2020 | <u>\$ 60</u> | <u>\$ 475</u> |

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

| Financial Instrument | Valuation Technique and Inputs |
|--|--|
| Derivatives - foreign exchange 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 |
| Hybrid financial assets - structured deposits | Discounted cash flow: Future cash flows are estimated based on the contractual rate of return. |
| Hybrid financial assets - Dual currency deposits | Discounted cash flow: Future cash flows are estimated based on the contractual rate of return. |
| Derivatives — foreign exchange option | The valuation is based on the spot exchange rate on the evaluation date, the option execution price, exchange rate volatility, and the risk-free interest rate of the quotation during the contract expiration period. |
| Investment in foreign debt instruments | Measured by market quotes provided by third-party pricing services. |

4) Valuation techniques and inputs applied for Level 3 fair value measurement

| Financial Instrument | Valuation Technique and Inputs |
|------------------------------------|--|
| Foreign Unlisted shares | Market approach : The market approach is a valuation method is based on the value multiples of other similar companies traded in the active market as the value reference of the target entity. |
| Redemption rights of convert bonds | Valuation model of binomial tree of convertible bond: consider factors such as the duration of the bond, the stock price of the convertible bond and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate, and the liquidity risk of the convertible bond. |

c. Categories of financial instruments

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|--|-------------------------|-------------------------|
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 81,052 | \$ 336,684 |
| Financial assets at amortized cost (1) | 1,565,319 | 1,391,741 |
| Financial assets at FVTOCI | | |
| Equity instruments | 475 | - |
| Debt instruments | 312,616 | 379,418 |
| <u>Financial liabilities</u> | | |
| FVTPL | | |
| Held for trading | 447 | - |
| Amortized cost (2) | 1,597,198 | 1,491,344 |

- 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 equity and debt instruments, structured deposits, derivatives-forward foreign exchange contract, option, DCI ,notes receivable (including related parties), trade receivable (including related parties),refundable deposits, trade payables, short-term borrowings , lease liabilities and bonds payable.

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 38 and of the derivatives exposed to foreign currency risk at the end of the year, please see Note 7.

Sensitivity analysis

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 | | | |
| | 2020 | | 2019 | | 2020 | | 2019 | |
| Profit or (loss) | \$ | 4,722 | \$ | 1,591 | (\$ | 4,745) | (\$ | 4,825) |

Primarily as a result of the Company's receivables, payables and short-term borrowing 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, bank borrowings and bonds payable 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:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| Fair value interest rate risk | | |
| Financial assets | \$ 380,794 | \$ 453,015 |
| Financial liabilities | 594,929 | 963,340 |
| Cash flow interest rate risk | | |
| Financial assets | 511,931 | 524,810 |
| Financial liabilities | 597,008 | - |

Sensitivity analysis

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, 2020 and 2019 would decrease/increase by \$(851) thousand and \$4,911 thousand, respectively, which was mainly a result of the group's exposure to the risk of interest rate changes on its bank deposits, structured deposits, investment in debt instruments and bank loan at the floating interest rate.

The Group's sensitivity to interest rates decreased during the current year mainly due to the increase of bank loan at floating interest rate.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 would have increased/decreased by \$5 thousand, respectively, as a result of the pre-tax other comprehensive income for the year ended December 31.

2) Credit risk

Credit risk refers to the risk that 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, 2020 and 2019, the total receivable accounts from said customers have accounted for 87% and 83% 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, 2020 and 2019 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, 2020

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+years |
|---------------------------------|-------------------|-----------------------|-------------------|--------------------|
| <u>Non-derivative financial</u> | | | | |
| <u>liabilities</u> | | | | |
| Non-interest bearing | \$ 416,786 | \$ 2,057 | \$ 391 | \$ - |
| Lease liabilities | 1,862 | 5,617 | 9,390 | - |
| Variable interest rate | | | | |
| liabilities | 1,378 | 4,139 | 243,848 | 403,000 |
| Fixed interest rate | | | | |
| liabilities | 894 | - | - | 604,500 |
| | <u>\$ 420,920</u> | <u>\$ 11,813</u> | <u>\$ 253,629</u> | <u>\$1,007,500</u> |

December 31, 2019

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

b) Financing facilities

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|--------------------------|-------------------------|-------------------------|
| Unsecured bank overdraft | | |
| facilities | | |
| Amount used | \$ 894 | \$ 464,000 |
| Amount unused | <u>1,604,985</u> | <u>365,480</u> |
| | <u>\$ 1,605,879</u> | <u>\$ 829,480</u> |
| Secured bank overdraft | | |
| facilities | | |
| Amount used | \$ 613,800 | \$ 480,000 |
| Amount unused | <u>1,391,995</u> | <u>14,670</u> |
| | <u>\$2,005,795</u> | <u>\$ 494,670</u> |

34. 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 (As of October 1, 2019, 60% of the shares were held and accounted for two of the three director seats. Therefore, it has gained control, so it has been incorporated into the consolidated entity from October 1, 2019) (Note 12) |
| DCM International Corporation Limited (“DCM”) | Related party in substance |

b. Sales of goods

| Line Item | Related Party Category | For the Year Ended December 31 | |
|-----------|----------------------------|--------------------------------|-------------------|
| | | 2020 | 2019 |
| sales | Related party in substance | \$ 166,680 | \$ 184,638 |
| | Associate | - | 7,132 |
| | | <u>\$ 166,680</u> | <u>\$ 191,770</u> |

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.

c. Receivables from related parties

| Line Item | Related Party Category | December 31,2020 | December 31,2019 |
|------------------|----------------------------|------------------|------------------|
| Notes receivable | Related party in substance | | |
| | Sing Cheng | <u>\$ -</u> | <u>\$ 765</u> |
| Trade receivable | Related party in substance | | |
| | Sing Cheng | \$ - | \$ 26,164 |
| | G.T Floor | 18,839 | 21,693 |
| | Fu Ming | 19,703 | 483 |
| | DCM | <u>251</u> | <u>-</u> |
| | | <u>\$ 38,793</u> | <u>\$ 48,340</u> |

The outstanding receivables from related parties were unsecured. No allowance for loss/bad debt was provided for the receivables from related parties in 2020 and 2019.

d. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|-----------|
| | 2020 | 2019年度 |
| Short-term employee benefits | \$ 36,876 | \$ 43,768 |

| | For the Year Ended December 31 | |
|--------------------------|--------------------------------|------------------|
| | 2020 | 2019年度 |
| Post-employment benefits | 608 | 604 |
| | <u>\$ 37,484</u> | <u>\$ 44,372</u> |

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings,

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| Financial assets at fair value through other comprehensive income | \$ 220,135 | \$ 284,666 |
| Land | 447,202 | - |
| Equipment under installation and construction in progress | 361,988 | - |
| | <u>\$1,029,325</u> | <u>\$ 284,666</u> |

36. 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, 2020 and 2021 were as follows:

Unrecognized commitments were as follows:

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|--|-------------------------|-------------------------|
| Acquisition of property, plant and equipment | | |
| In Thousands of RMB | \$ 1,967 | \$ 9,925 |
| In Thousands of NTD | <u>\$ 812,101</u> | <u>\$ -</u> |

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1) SIGNIFICANT EVENTS

To establish subsidiaries in the United States and China, with investment amounts of approximately US\$3,000 and RMB14,000, respectively, and authorized the chairman of the board to carry out subsequent investment structure planning, which were approved by the Company's board of directors on March 11, 2020.

2) OTHER ITEMS

Due to the impact of the COVID-19 pandemic, the operating revenue recognition of a decrease of \$NTD 585,673 thousand in 2020 compared with the previous year, a decrease of approximately 16.89%. With the easing of the epidemic and loosening of government policies, the Group expects that operations will gradually return to normal.

38. 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, 2020

| | Foreign Currency (thousand) | Exchange Rate | Carrying Amount |
|------------------------------|----------------------------------|------------------|--------------------|
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 590 | 28.48 (USD:NTD) | \$ 16,808 |
| USD | 16,680 | 6.5249 (USD:RMB) | 475,047 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 289 | 28.48 (USD:NTD) | 8,227 |
| USD | 401 | 6.5249 (USD:RMB) | 11,424 |
| NTD | 474,525 | 0.0351 (NTD:USD) | 474,525 |

December 31, 2019

| | Foreign Currency (thousand) | Exchange Rate | Carrying Amount |
|------------------------------|----------------------------------|------------------|--------------------|
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 2,131 | 29.98 (USD:NTD) | \$ 63,889 |
| USD | 9,057 | 6.9762 (USD:RMB) | 271,529 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| 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 |

The significant gains or losses on foreign exchange are stated as following:
For the years ended December 31, 2020 and 2019, net foreign exchange gains (losses) were (67,604) thousand and (18,166) 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.

39. 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 33)
 - 10) Intercompany relationships and significant intercompany transactions (Table 7)
- b. Information on investees (Table 8)
 - c. 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
- d. Information of major shareholders (Table 10)

40. SEGMENT INFORMATION

- a. Information about significant transactions and investees:

The units engaged in production and sale of LVT and SPC 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 have been 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 | |
|--------------------|--------------------------------|---------------------|
| | 2020 | 2019 |
| LVT and SPC floors | <u>\$ 2,882,490</u> | <u>\$ 3,468,163</u> |

- 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 | |
| | 2020 | 2019 |
| Europe | \$ 1,692,938 | \$ 2,054,357 |
| North America | 450,880 | 525,524 |
| Mainland China | 265,786 | 415,128 |
| Taiwan | 192,623 | 212,482 |
| Others | <u>280,263</u> | <u>260,672</u> |
| | <u>\$ 2,882,490</u> | <u>\$ 3,468,163</u> |

| | Non-current Assets | |
|------------------------------|---------------------|---------------------|
| | December31,2020 | December31,2019 |
| Mainland China and Hong Kong | \$ 1,099,425 | \$ 1,201,221 |
| Taiwan | 835,289 | 465,986 |
| Others | <u>47,190</u> | <u>61,125</u> |
| | <u>\$ 1,981,904</u> | <u>\$ 1,728,332</u> |

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

d. Information about major customers

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

| | For the Year Ended December 31 | |
|---------|--------------------------------|---------------------|
| | 2020 | 2019 |
| Group P | <u>\$ 1,890,633</u> | <u>\$ 2,199,857</u> |

TABLE1

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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(5) | Other receivable -related party | Yes | \$ 453,000 | \$ 453,000 | \$ 453,000 | 0% | Short-term financing | \$ | 償還借款 | \$ - | - | - | \$ 1,052,959 | \$ 1,052,959 |
| 0 | M.J. Group | M.J. Taiwan | Other receivable -related party | Yes | 153,000 | 153,000 | 153,000 | 0% | Short-term financing | | Operating capital | - | - | - | 1,052,959 | 1,052,959 |
| 1 | Prolong Dongguan | M.J. Shanghai | Other receivable -related party | Yes | 165,862 (RMB 38,000) | 165,862 (RMB 38,000) | 159,315 (RMB 36,500) | 3% | Short-term financing | | Operating capital | - | - | - | 333,314 | 555,523 |
| | | M.J. Dongguan | Other receivable -related party | Yes | 130,944 (RMB 30,000) | 130,944 (RMB 30,000) | - | 3% | Short-term financing | | Operating capital | - | - | - | 333,314 | 555,523 |
| 2 | M.J. Dongguan | M.J. Shanghai | Other receivable -related party | Yes | 26,189 (RMB 6,000) | - | - | 3% | Short-term financing | | Operating capital | - | - | - | 761,583 | 1,269,305 |
| 3 | M.J. Taiwan | Opulent | Other receivable -related party | Yes | 62,656 (USD 2,200) | - | - | 3% | Short-term financing | | Operating capital | - | - | - | 87,857 | 146,429 |
| 4 | Opulent | M.J. Taiwan | Other receivable -related party | Yes | 200,000 | 200,000 | - | 1% | Short-term financing | | Operating capital | - | - | - | 358,894 | 598,156 |

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 Prolong Dongguan NT\$4,492 thousand and M.J. Taiwan NT\$1,518 thousand.

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

TABLE2

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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(3) | 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(3) | 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 (2) | | | | | | | | | | |
| 0 | M.J. Group | Opulent | (2) | \$3,948,597 | \$2,091,280 | \$1,683,440 | \$ - | N/A | 63.95% | \$7,897,194 | Yes | No | No |
| 1 | Opulent | M.J. Taiwan | (2) | 3,948,597 | 2,702,000 | 2,200,000 | 613,800 | N/A | 83.57% | 7,897,194 | Yes | No | No |
| | | M.J. Dongguan | (3) | 897,234 | 42,036 | - | - | N/A | 0% | 1,794,468 | No | No | Yes |
| | | Prolong Dongguan | (3) | 897,234 | 42,036 | - | - | N/A | 0% | 1,794,468 | No | No | Yes |
| | | M.J. Taiwan | (3) | 897,234 | 655,680 | - | - | N/A | 0% | 1,794,468 | No | No | No |
| 2 | M.J. Taiwan | Opulent | (3) | 219,644 | 200,000 | - | - | N/A | 0% | 439,287 | 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.

TABLE3

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities (Note1) | Relationship with the Holding Company(2) | Financial Statement Account | December 31, 2020 | | | | Note |
|----------------------|---|--|---|-------------------|---------------------|-----------------------------|-------------------|--------------------|
| | | | | Number of Shares | Carrying Amount (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 | - | \$ 33,403 | - | \$ 33,403 | Pledged borrowings |
| | Huarong Finance II Co., LTD. 5.5%01/16/2025 DTD 01/16/2015 | — | " | - | 32,125 | - | 32,125 | Pledged borrowings |
| | Credit Agricole S.A. London Branch 4.125%01/10/2027 DTD 01/10/2017 | — | " | - | 32,745 | - | 32,745 | Pledged borrowings |
| | Societe Generale S.A. 4%01/12/2027 DTD 01/12/2017 | — | " | - | 32,102 | - | 32,102 | Pledged borrowings |
| | Huarong Finance II Co., LTD. 3.625%11/22/2021 DTD 11/22/2016 | — | " | - | 57,928 | - | 57,928 | Pledged borrowings |
| | Banque Ouset Africaine de Developpement 5.0%07/27/2027 DTD 07/27/2017 | — | " | - | 31,832 | - | 31,832 | Pledged borrowings |
| | Republic Of South Africa 4.85%09/27/2027 DTD 09/27/2017 | — | " | - | 30,854 | - | 30,854 | (4) |
| | Golden Legacy Pte. Ltd. 6.875%3/27/2024 DTD 3/27/2017 | — | " | - | 5,760 | - | 5,760 | (4) |
| | Indika Energy Capital III Pte-Anleihe 5.875%11/9/2024 DTD 11/9/2017 | — | " | - | 5,846 | - | 5,846 | (4) |
| | Yuzhou Properties Company Limited 6.00%1/25/2022 DTD 1/25/2017 | — | " | - | 5,796 | - | 5,796 | (4) |
| | China Evergrande Group 8.750%6/28/2025 DTD 6/28/2017 | — | " | - | \$ 4,738 | - | \$ 4,738 | (4) |
| | Times Property Holdings Limited 6.600%3/2/2023 DTD 11/30/2017 | — | " | - | 5,824 | - | 5,824 | (4) |
| | Logan Property Holdings Company Limited 6.375%03/07/2021 DTD 03/07/2018 | — | " | - | 5,738 | - | 5,738 | (4) |
| Opulent | | | | | <u>\$ 284,691</u> | | <u>\$ 284,691</u> | |

| Holding Company Name | Type and Name of Marketable Securities (Note1) | Relationship with the Holding Company(2) | Financial Statement Account | December 31, 2020 | | | | Note |
|-----------------------|--|--|---|-------------------|---------------------|-----------------------------|------------------|------|
| | | | | Number of Shares | Carrying Amount (3) | Percentage of Ownership (%) | Fair Value | |
| Opulent | Softbank Group Corp 6.875%Perpetual DTD 7/19/2017 | — | Financial assets at fair value through other comprehensive income – Non current | - | \$ 5,676 | - | \$ 5,676 | (4) |
| | RKP Overseas Finance 2016 (A) Limited 7.95%Perpetual DTD 2/17/2017 | — | " | - | 5,678 | - | 5,678 | (4) |
| | China Grand Automotive Services 5.625%Perpetual DTD 10/30/2017 | — | " | - | 4,414 | - | 4,414 | (4) |
| | HSBC Holdings PLC, 6%Perpetual DTD 5/22/2017 | — | " | - | 6,212 | - | 6,212 | (4) |
| | Standard Chartered PLC 7.5%Perpetual DTD 8/18/2016 | — | " | - | <u>5,945</u> | - | <u>5,945</u> | (4) |
| | | | | | <u>\$ 27,925</u> | | <u>\$ 27,925</u> | |
| Fullhouse Investments | DCM International Corporation Limited | — | " | 50,000 | <u>\$ 475</u> | 10% | <u>\$ 475</u> | (4) |

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 | Construction of plant in Tainan | 2020/8/17 | \$ 1,000,000 | \$ 300,000 (Construction in Progress) | Xu Yuan construction Co.,Ltd. | None | N/A | N/A | N/A | N/A | N/A | Manufacturing purpose | None |

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, 2020

(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) | (\$ 143,637) | (5%) | 120 days after monthly closing days | \$ | - | \$ 7,387 | 1% | 5 |
| | M.J. Dongguan | Associate | (Sale) | (137,509) | (5%) | 120 days after monthly closing days | | - | 6,168 | 1% | 5 |
| | M.J. Dongguan | Associate | Purchase | 1,283,987 | 57% | 120 days after monthly closing days | | - | (305,615) | (62%) | 5 |
| | Prolong Dongguan | Associate | Purchase | 729,267 | 33% | 120 days after monthly closing days | | - | (169,407) | (34%) | 5 |
| M.J. Dongguan | Opulent | Associate | (Sale) | (1,283,987) | (86%) | 120 days after monthly closing days | | - | 305,615 | 85% | 3 and 5 |
| | | Associate | Purchase | 137,509 | 15% | 120 days after monthly closing days | | - | (6,168) | (4%) | 5 |
| Prolong Dongguan | Opulent | Associate | (Sale) | (729,267) | (99%) | 120 days after monthly closing days | | - | 169,407 | 99% | 4 and 5 |
| | | | Purchase | 143,637 | 99% | 120 days after monthly closing days | | - | (7,387) | (100%) | 5 |

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 1,687 thousand.

Note4: Unrealizes gain on transations is 554 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, 2020

(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. Group | Opulent | Subsidiary | Other receivables \$ 453,000 | - | \$ - | — | \$ - | \$ - |
| | M.J. Taiwan | Subsidiary | Other receivables 153,000 | - | - | — | - | - |
| M.J. Dongguan | Opulent | Associate | Trade Receivable 305,615 | 5.43 次 | - | — | 108,274 | - |
| Prolong Dongguan | Opulent | Associate | Trade Receivable 169,407 | 5.33 次 | - | — | 64,673 | - |
| | M.J. Shanghai | Associate | Other receivables 160,112 (Note 3) | - | - | — | - | - |

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 11, 2021.

Note 3: The amount bears interest receivable 797 thousand..

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TABLE7

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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) | PaymentTerms | Percentage of Consolidated Total Gross Sales or Total Assets (Note 3) |
| 0 | M.J. Group | Opulent | (1) | endorsement/guarantee | \$ 1,683,440 | — | 37% |
| | | Opulent | (1) | Other receivables | 453,000 | Financing | 10% |
| | | M.J. Taiwan | (1) | endorsement/guarantee | 2,200,000 | — | 49% |
| | | M.J. Taiwan | (1) | Other receivables | 153,000 | Financing | 3% |
| | | Prolong HK | (1) | Investments Accounted for Using Equity Method | 60,450 | — | 1% |
| 1 | Prolong HK | M.J. Dongguan | (3) | Investments Accounted for Using Equity Method | 60,450 | — | 1% |
| 2 | Opulent | M.J. Group | (2) | Surplus repatriation | 376,569 | — | 8% |
| | | M.J. Dongguan | (3) | Sales | 137,509 | he selling price based on the cost,120 days after monthly closing days | 5% |
| | | M.J. Dongguan | (3) | Sales | 6,168 | — | 0% |
| | | Prolong Dongguan | (3) | Trade receivable | 86,232 | he selling price based on the cost,120 days after monthly closing days | 3% |
| | | Prolong Dongguan | (3) | Sales | 5,257 | — | 0% |
| | | M.J. Taiwan | (3) | Trade receivable | 143,637 | he selling price based on the cost,120 days after monthly closing days | 5% |
| | | M.J. Taiwan | (3) | Trade receivable | 7,387 | — | 0% |
| 3 | M.J. Dongguan | Opulent | (3) | Sales | 1,283,987 | he selling price based on the cost,120 days after monthly closing days | 45% |
| | | Opulent | (3) | Trade receivable | 305,615 | — | 7% |
| 4 | Prolong Dongguan | Opulent | (3) | Sales | 729,267 | he selling price based on the cost,120 days after monthly closing days | 25% |
| | | Opulent | (3) | Trade receivable | 169,407 | — | 4% |
| | | M.J. Shanghai | (3) | Other receivables | 160,112 | Financing (including interest receivable 797) | 4% |

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 INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------|--------------------------------|-----------|---|-------------------------------------|------------------------------|---------------------------------|-----|-----------------|-----------------------------------|------------------------|-----------|
| | | | | December 31, 2020 | December 31, 2019 | Number of Shares (In Thousands) | % | Carrying Amount | | | |
| M.J. Group | Prolong HK | Hong Kong | Investment holding | \$ 411,821 (USD 14,460) | \$ 354,861 (USD 12,460) | - | 100 | \$ 1,823,408 | \$ 58,887 | \$ 58,887 | 1 and 2 |
| | Opulent | Hong Kong | International trading | 247,776 (USD 8,700) | 247,776 (USD 8,700) | 8,700 | 100 | 597,901 | 240,830 | 241,262 | 1,2 and 5 |
| | M.J. Taiwan | Taiwan | Sale and processing of plastic tiles, decoration materials and construction materials. | 38,000 | 38,000 | 5 | 100 | 146,429 | 2,520 | 2,520 | 1 and 2 |
| | Fullhouse Investments Limited. | Samoa | Investment holding | 49,875 (USD 1,751) | 49,305 (USD 1,731) | - | 100 | 50,219 | (2,161) | (2,161) | 1 and 2 |
| | Green Touch Floors Inc. | Canada | Sale of engineered wood floors, LVT floors decoration materials and construction materials. | 49,161 (USD 1,726) | 49,161 (USD 1,726) | 60 | 60 | 49,575 | 4,356 | (2,122) | 1,2 and 5 |

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: The income or loss of investee includes the effect of unrealized gross profit on intercompany transactions, the amortization expenses of intangible assets arising from mergers and acquisitions.

TABLE 9

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | % 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, 2020 Note (3) and (5) | Accumulated Repatriation of Investment Income as of December 31, 2020 |
|------------------|--|-------------------------------------|-------------------------------|---|---------------------|--------|---|--|-----------------------------------|--|--|---|
| | | | | | Outward | Inward | | | | | | |
| M.J. Dongguan | Production and sale of tiles, decoration materials and construction materials, and investment holding. | \$ 919,066 (USD 32,271) (註 7) | (b) (1) | \$ - | \$ | \$ | \$ - | 100 | \$ 43,042 | \$ 43,551 | \$ 1,267,694 | \$ - |
| Prolong Dongguan | Production and sale of tiles, decoration materials and construction materials, and investment holding. | 288,471 (HKD 78,538) | (b) (1) | - | | | - | 100 | 15,554 | 15,594 | 554,992 | - |
| M.J. Chongqing | Sale of plastic tiles, decoration materials and construction materials. | 34,918 (RMB 8,000) | (b) (2) | - | | | - | 100 | (4,181) | (4,181) | 13,136 | - |
| M.J. Beijing and | Sale of plastic tiles, decoration materials and construction materials | 52,378 (RMB 12,000) | (b) (2) | - | | | - | 100 | (3,985) | (3,985) | 14,914 | - |
| M. J. Shanghai | Sale of plastic tiles, decoration materials and construction materials | 205,146 (RMB 47,000) | (b) (2) | - | | | - | 100 | (6,549) | (6,549) | 124,519 | - |
| M. J. Guangzhou | Sale of plastic tiles, decoration materials and construction materials | 13,094 (RMB 3,000) | (b) (2) | - | | | - | 100 | (637) | (637) | 35,832 | - |
| M.J. Wuhan | Sale of plastic tiles, decoration materials and construction materials | 48,013 (RMB 11,000) | (b) (2) | - | | | - | 100 | (554) | (554) | 38,808 | - |
| M.J.Xian | Sale of plastic tiles, decoration materials and construction materials | 21,824 (RMB 5,000) | (b) (2) | - | | | - | 100 | 1,745 | 1,745 | 21,801 | - |
| M.J. Shenyang | Sale of plastic tiles, decoration materials and construction materials | 20,920 (RMB 4,793) (註 7) | (b) (2) | - | | | - | 100 | (2,831) | (2,831) | 15,284 | - |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 | 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.

Note 7: 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.

TABLE 10

**M. J. INTERNATIONAL CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

| Name of Major Shareholder | Shares | |
|---|-----------------------------------|-----------------------------------|
| | Number of Shares Percentage of | Number of Shares Percentage of |
| CROWN HARVEST COMPANY LIMITED | 12,204,000 | 18.47% |
| Yunta Bank as Trustee of Luckmore Investment Limited Account | 7,779,000 | 11.77% |
| Black Dragon Assets Limited | 4,478,400 | 6.77% |
| Chairman Management Corp. | 3,999,000 | 6.05% |

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Corporation's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

- V. Entity financial statement and auditing report for the most recent year: N/A.
- VI. If the Company and its affiliates have encountered any financial difficulties in the most recent two years and until the date of publication of the annual report, the impact on the Company's financial condition shall be specified: None.

Seven. Discussion and Analysis of Financial Position and Financial Performance, and Risks

I. Financial position

Unit: NT\$ thousand; %

| Item \ Year | Year2019 | Year2020 | Variance | |
|---|-----------|-----------|-------------|---------|
| | | | Amount | % |
| Current assets | 2,578,382 | 2,454,394 | (123,988) | (4.8%) |
| Property, Plant and Equipment | 1,522,937 | 1,822,494 | 299,557 | 19.7% |
| Intangible Assets | 39,064 | 28,699 | (10,365) | (26.5%) |
| Other assets | 246,418 | 207,926 | (38,492) | (15.6%) |
| Total assets | 4,386,801 | 4,513,513 | 126,712 | 2.9% |
| Current liabilities | 1,742,539 | 642,751 | (1,099,788) | (63.1%) |
| Non-current liabilities | 22,456 | 1,210,884 | 1,188,428 | 5,292% |
| Total liabilities | 1,764,995 | 1,853,635 | 88,640 | 5.02% |
| Equity attributable to owners of the parent | 2,591,880 | 2,632,398 | 40,518 | 1.6% |
| Capital stock | 660,590 | 660,590 | 0 | - |
| Capital surplus | 1,205,967 | 1,229,455 | 23,488 | 1.9% |
| Retained earnings | 853,211 | 864,354 | 11,143 | 1.3% |
| Other equity | (127,888) | -119,001 | 8,887 | (6.9%) |
| Non- controlling equity | 29,926 | 27,480 | (2,446) | (8.2%) |
| Total equity | 2,621,806 | 2,632,398 | 10,592 | - |

The main reasons where the change scale exceeds 20% above and the amount changed reached more than NT\$10 million are stated as follows:

1. Real estate, plant and equipment: It was caused by the construction project of Tainan new factory and the purchase of machinery and equipment will be started in 2020. The project payment and advance payment for machinery and equipment are listed as real estate, plant and equipment - unfinished project and equipment to be inspected, resulting in the increase of real estate, plant and equipment.
2. Decrease in intangible assets: It is caused by the amortization of the intangible assets of the customer relationship arising from enterprise mergers and acquisitions.
3. Decrease in Current liability: It was caused by the repayment of short-term bank loans.
4. Increase in Non-current liability: It was caused by long-term loans increased by issuing corporate bonds and building new factories in Tainan and purchasing machinery.

II. Financial performance

1. Analysis on operating results for the most recent two years:

Unit: NT\$ thousand; %

| Item \ Year | Year2019 | Year2020 | Variance | |
|-----------------------------------|-----------|-----------|-----------|----------|
| | | | Amount | % |
| Operating revenue | 3,468,163 | 2,882,490 | (585,673) | (16.89) |
| Operating cost | 2,576,616 | 2,096,842 | (479,774) | (18.62) |
| Gross profit | 891,547 | 785,648 | (105,899) | (11.88) |
| Operating expenses | 452,765 | 380,524 | (72,241) | (15.96) |
| Operating profit | 438,782 | 405,124 | (33,658) | (7.67) |
| Non-operating revenue and expense | 18,902 | -43,317 | (62,219) | (329.16) |
| Net profit before tax | 457,684 | 361,807 | 95,877 | (20.95) |
| Income tax expenses | 55,350 | 84,236 | 28,886 | 52.18 |
| Current operating profit | 402,334 | 277,571 | (124,763) | (31.01) |

The main reasons where the change scale exceeds 20% above and the amount changed reached more than NT\$10 million are stated as follows:

1. Non-operating income and expenses: In 2020, due to the continued depreciation of the U.S. dollar, the increase in foreign currency exchange losses over the previous year and the loss of disposal of bonds resulted in a decrease in non-operating income and non-operating expenses.
2. Net profit before tax: Net profit before tax decreased due to the decrease in turnover and non operating income and expenses.
3. Income tax: This is because deferred income tax benefits were recognized in 2019, and there is no such situation in 2020.
4. Current net profit: This was mainly due to the decrease in turnover, loss of foreign currency exchange and increase in income tax expenses.

2. Expected sales volume and the basis thereof, and the possible impact of such changes upon the Company's financial and business affairs, and how the Company plans to respond

For the Company's expected sales volume, the Company sets the annual shipment target based on the previous year's sales performance, the estimation of market demand and customer orders already in place, and also by taking into account such factors as the supply status of major raw materials. Subject to the market demand and changes, the Company will upgrade its market share to increase the profit to be sought by the Company. The Company's business may grow continuously and its financial position is also considered fair.

III. Cash flow

1. The cash flow changes during the most recent year (2020) are analyzed and explained as following:

Unit: NT\$ thousand; %

| Item \ Year | Year2019 | Year2020 | Increase (decrease) | |
|--|-----------|----------|---------------------|---------|
| | | | Amount | % |
| Net cash inflow from operating activities | 265,568 | 285,795 | 20,227 | 17.10 |
| Net cash inflow(outflow) from investing activities | (923,902) | (41,395) | 882,507 | (95.52) |

| | | | | |
|--|---------|-----|-----------|---------|
| Net cash inflow(outflow) from financing activities | 279,956 | 630 | (279,326) | (99.77) |
| <p>Analysis of the changes:</p> <p>1. Net cash inflow of business activities: The accounts receivable at the end of 2020 decreased compared to the end of last year, and the amount of accounts payable due to the decrease in purchases in 2020 decreased compared with 2019, resulting in an increase in net cash inflow from operating activities.</p> <p>2. Net cash outflow for investments: This is mainly due to the maturity of bonds and structural deposits in 2020, and the decrease in the amount of newly purchased real estate, plant and equipment in this year compared with that in 2019, resulting in less net cash outflow from investment activities.</p> <p>3. Net cash inflow for financing activity: The increase in borrowings in 2020 is less than that in 2019, and the cash dividends are more than in 2019, resulting in less net cash inflows from financing activities than in 2019.</p> | | | | |

2. Corrective measures to be taken in response to illiquidity:

The Group's cash flow from consolidated operations appears to grow positively in 2020. Therefore, no illiquidity takes place.

3. Liquidity analysis for the coming year (2021):

Unit: NT\$ thousand

| Cash balance, beginning (1) | Net cash flow from operating activities for the year (2) | Net cash flow from investing and financing activities for the year (3) | Cash balance (1)+(2)+(3) | Corrective measures against projected insufficient cash position | |
|--|--|---|-----------------------------|--|------------------------------|
| | | | | Investment plan | Wealth management plan |
| 535,530 | 325,498 | (598,177) | 262,851 | - | - |
| <p>Analyze and explain any changes in the Company's projected cash flow in 2021:</p> <p>(1) Net cash inflow from operating activities: Primarily resulting from the cash receipts generated from the projected operating revenue growth in 2021.</p> <p>(2) Net cash flow in investment and financing activities: This is because the Company expected to establish new factories in Tainan, invest in equipment, supply the long-term financing structure at domestic banks and distribute cash dividend of 2020.</p> | | | | | |

IV. Material capital expenditures in the most recent year and impact on business/finance:

The Company's payment for acquisition of property, plant and equipment amounted to NT\$ 682,005,000 and NT\$ 371,283,000 in 2019 and 2020, respectively. To distribute production capability and disperse the market, the Company purchased land at Tainan Technology Industrial Park, planned the SPC floor production line in the new Tainan factory and continued to purchase equipment in order to increase automation ratio at the production base in China. The Company's property, plant and equipment turnover was 2.28 and 1.58 in 2019 and 2020, respectively. The reason for the turnover to decrease is because it is expected that the benefits from devotion of capital expenses in the constructing new Tainan factory will consecutively appeared in 2021. The Company obtained the qualification for Taiwanese businessman in "Action Plan for Welcoming Overseas

Taiwanese Businesses to Return to Invest in Taiwan” by the investment project of new factory in Tainan, which is accompanied by 10-year credit operation in domestic banks, including 3-year grace period and 5-year interest subsidy from National Development Council. Hence, capital expenses do not have significant impact on the Company’s financial business.

V. Investment strategies, causes for investment gains and losses, and planned improvements for the most recent year and the investment plan for the coming year

1. Investment strategies

The Company's investment strategies are set forth in line with the Company’s business needs. The operating revenue of the subsidiaries invested by it appears to grow stably, due to the export to European and US markets. The Company’s current investment strategies and operating procedures follow the “Regulations Governing Acquisition or Disposition of Assets” and “Regulations Governing Supervision and Management of Subsidiaries” passed by the directors’ meeting or shareholders’ meeting, and the investment cycles under the internal control system apply. The various subsidiaries shall comply with the Company’s requirements and shall also engage in adequate internal controls pursuant to the local laws and subject to the actual operations. To distribute production capability and disperse the market, the board of directors approved to invest NT\$2,513 million in the new Tainan factory project by resolution and plan to establish the SPC floor production line on Dec. 17, 2019. Compared to the existing SPC production line in China, there are twice amount of the production line in the new Tainan factory. In addition, newest production equipment will be used in the new Tainan factory to satisfy low procurement costs, low production energy consumption and effectively enhance production efficiency. Due to the increase in plant building materials and additional design, the purchase of more advanced production equipment, the purchase of pollution prevention equipment and the construction of solar photovoltaic systems, the total investment amount is planned to increase by NT\$322 million. It was approved by the board of directors on March 11, 2021. The Company aimed to activate the factory in Q3 2021 and make the factory devoted in production consecutively in Q4 2021. The Company obtained the qualification for Taiwanese businessman in “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” from Ministry of Economic Affairs. In the future, the Company can obtain subsidy for financing interests and other offers to increase the flexibility in the use of operating funds.

VI. Analysis and assessment of risk factors for the most recent year until the date of publication of the annual report

(I) Risk factors

1. Impact of interest rate, exchange rate changes, and inflation on the Company's earnings, and responsive measures:

(1) Interest rate changes

The Company's interest revenue amounted to NT\$7,128 thousand and NT\$3,675 thousand in 2020 and Q1 of 2021 respectively, namely 1.13% and 0.49% of the operating revenue, net. The interest expenses were NT\$2,544 thousand and NT\$2,963 thousand, namely 0.40% and 0.40% of the net operating revenue. The interest revenue and expense accounted for a small proportion of the operating revenue; therefore, the interest rate changes rendered no significant impact on the Company's business and finance. Notwithstanding, the Group will continue to strengthen its communication between it and banks, and closely observe and verify the changes in market interest rates. Meanwhile, it will control the interest rate risk effectively, by sound financial planning, various financial tools, and most favorable fund-raising tools in the capital market.

(2) Exchange rate changes

The Company's main sales revenue is collected in USD, and the mainland China serves as the main production base of the Company. The employees' salary, part of the raw materials and miscellaneous expenses are paid in RMB. Therefore, there is a risk over exchange rate changes for the USD against RMB. Further, after the Company is listed in Taiwan, it will need to distribute the stock dividend to the investors in NTD within the R.O.C. or convert the the fund raised within the R.O.C. from NTD to USD for utilization. Therefore, there is a risk over exchange rate changes for the USD against NTD.

The net foreign currency exchange gains or loss resulting from the operating activities was NT\$(67,604) thousand loss and NT\$2,733 thousand gain in 2020 and Q1 of 2021 respectively, namely (2.35%) and 0.37% of the operating revenue for the years.

The Company has already amended the "Regulations Governing Engagement in Derivatives Trading" to require that the derivatives should be managed for the purpose of hedging only in the future. Further, the responsive measures to be taken against the risk over exchange rate changes resulting from operating activities are stated as following:

- ① For the procurement of major raw materials, subject to the foreign exchange rate fluctuation, the Company will negotiate with suppliers for the denomination in USD to increase the effect of natural hedge.
- ② According to the quotation policy toward clients, when the foreign exchange fluctuation is beyond specific range upon assessment, the sale nit shall feed back to the customers immediately and negotiate with the customers to adjust the selling price.
- ③ Negotiate with customers to shorten the days of accounts receivable to reduce the foreign exchange risk arising from the foreign currency accounts receivable due to the time factor.
- ④ Open a foreign currency deposit account to manage the net foreign currency position; have dedicated personnel to assess the Company's capital needs and decide the timing and amount of foreign exchange, so as to reduce the impact of exchange rate changes on the income and also achieve the effect of natural hedge.
- ⑤ Keep close contact with the bank's foreign exchange department and collect market information actively to control the potential exchange rate trend completely; subject

to the exchange rate fluctuation and foreign currency position held by the Company, decide whether to underwrite financial derivatives to evade the foreign exchange risk according to the “Regulations Governing Engagement in Derivatives Trading” established by the Company.

(3) Inflation

For the time being, the inflation renders no significant impact on the Company's income. According to the Company's responsive measures, the Company will refer to the economic indicators and research reports provided by domestic and foreign economic research institutions and professional investment institutions from time to time, and provide the same to the management for reference to help the management make decisions.

2. Policies on high-risk and highly leveraged investments, financing provided to others, endorsements/guarantees, and derivatives trading, main causes of any profits or losses incurred, and future responsive measures:

The Company refrains from engaging in high-risk and highly leveraged investments. It engages in financing provided to others, endorsements/guarantees and derivatives trading per the policies and responsive measures established under the Company's “Regulations Governing Financing Provided to Others”, “Regulations Governing Endorsement/Guarantee” and “Regulations Governing Engagement in Derivatives Trading”. In the future, the Company's derivatives trading policy will still remain conservative and stable to evade the risk over substantial foreign exchange fluctuation.

3. Future research and development plans and projected R&D expenses:

Though the Company engages in the traditional industry, it invests in R&D actively in order to maintain its profitability and industrial competitiveness. Its future R&D plan includes the improvement of process and development of new products. The improvement of process aims to upgrade the automation and cut production costs. Further, in order to be in line with the market trend and satisfy different market users' needs, the Company will continue to develop new products.

Following the growth in turnover, the Company will also increase the annual R&D expenses step by step to roughly about 1% net sales to support the future R&D plans and also upgrade the Company's strength in production and industrial competitiveness.

4. Impact on the Company's business/finance due to changes in domestic or foreign important policies and laws, and responsive measures:

The Company is registered in the Cayman Islands, which refer to a country of open economy and free from foreign exchange control. Therefore, the investment environment is stable locally. The Company carries out its operations primarily in the mainland China, Hong Kong and Taiwan, where the political and economic environment is considered stable. The Company engages in production of various products and carries out its operations in accordance with the national policies and laws & regulations of the countries where it is registered and operates. Meanwhile, the Company will keep watching and controlling the development of policies and changes in laws and the impact thereof on the Company, in order to help the Company, take appropriate responsive measures. No material impact on the Company's business/finance due to changes in domestic or foreign important policies and laws has taken place during the most recent year and until the date of publication of the prospectus.

5. Impact on the Company's business/finance due to technological or industrial changes, and responsive measures:

The Company's main business lines refer to the development, production and sale of sheet plastic flooring. The sheet plastic flooring is identified as the product

emerging later but growing highly on the flooring industry. The Company is committed to the development of new styles, new materials and new processes for sheet flooring, and continues to research and develop oriented toward environmental-friendly and human-friendly materials. Meanwhile, the Company will keep concerning the relevant technological changes in the industry, controlling the latest trends, and assessing the impact thereof on the Company's operations. No material impact on the Company's business/finance due to technological or industrial changes has taken place during the most recent year and until the date of publication of the prospectus.

6. Impact of changes in the corporate identity on the Company's crisis management, and responsive measures:

The Company upholds the management philosophy focusing on "Ethical Management-Based and Customers as First Priority", dedicated to production and sale of sheet plastic flooring, complying with relevant laws and regulations, promoting various certifications actively, and maintaining harmonious labor-management relations at the same time. Since the Company was founded, it has kept its fair industrial position and goodwill. Therefore, there is no change in corporate identity resulting in the Company's corporate crisis management.

7. Expected benefits, possible risks and responsive measures of merger and acquisitions:

The Company had no merger and acquisition project during the most recent year and until the date of publication of the prospectus.

8. Expected benefits, risks and responsive measures associated with plant expansions: None.

9. Risks and responsive measures associated with concentrated sales or purchases:

- (1) Purchases

The Company is a professional manufacturer engaged in manufacturing sheet plastic flooring. The raw materials purchased by it are mainly PVC powder, transparent materials, printed film and plasticizers. In 2020 and Q1 of 2021, the purchase amount to the largest supplier accounted for 22.02% and 23.64% of the consolidated total purchase amount, net. Therefore, there should be no significant risk over excessively concentrated purchases.

In order to enhance the mobility for the source of supply, the Company purchases main raw materials from more than two suppliers. The source of supply is considered stable, and no interruption or shortage of supply has taken place for the most recent year or period.

- (2) Sales

The Group's sales to the largest customer are 40.77% and 39.15% in 2020 and Q1 of 2021. Further, Group K's subsidiaries were used to negotiating with the Company for the sale conditions independently and placing order individually. Group K is one of the leading brand for PVC flooring in Europe. In consideration of the high production cost in Europe, it was used to contracting the production of PVC flooring to other suppliers. Through the cooperation between both parties for many years, both parties signed an exclusive supply contract, agreeing that the Company should be the exclusive OEM for the products referred to therein sold in countries in Europe and North Africa and the Company should supply said products to Group K only in said countries. The Company keeps maintaining the fair relationship with Group K and also strives to enhance its competitive strength in pricing by upgrading the production capacity and improving process, and developing new products to seek the opportunity for acting as the OEM of leading suppliers in North America. Meanwhile, the Company also starts operating its private brand and develops distribution channels in the mainland

China. By developing new customers and expanding the market in the mainland China, the Company should be able to upgrade its sales effectively and thereby enable the Company's business/finance to be more stable.

10. Impacts, risks and responsive measures following a major transfer or replacement of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

No business risk has been caused by the major transfer or replacement of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest.

11. Impacts, risks and responsive measures associated with a change of management:

The Company had no change of management during the most recent year and until the date of publication of the prospectus.

The Group has appointed independent directors, established the Audit Committee and strengthened various corporate governance policies. Therefore, the change of management, if any, is not likely to render adverse impact or business risk against the Company.

12. Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders' equity or security prices of the Company, and disclose the nature of dispute, the claimed value, the date when the litigation first started, the key parties involved, and progress as of the publication date of the annual report:

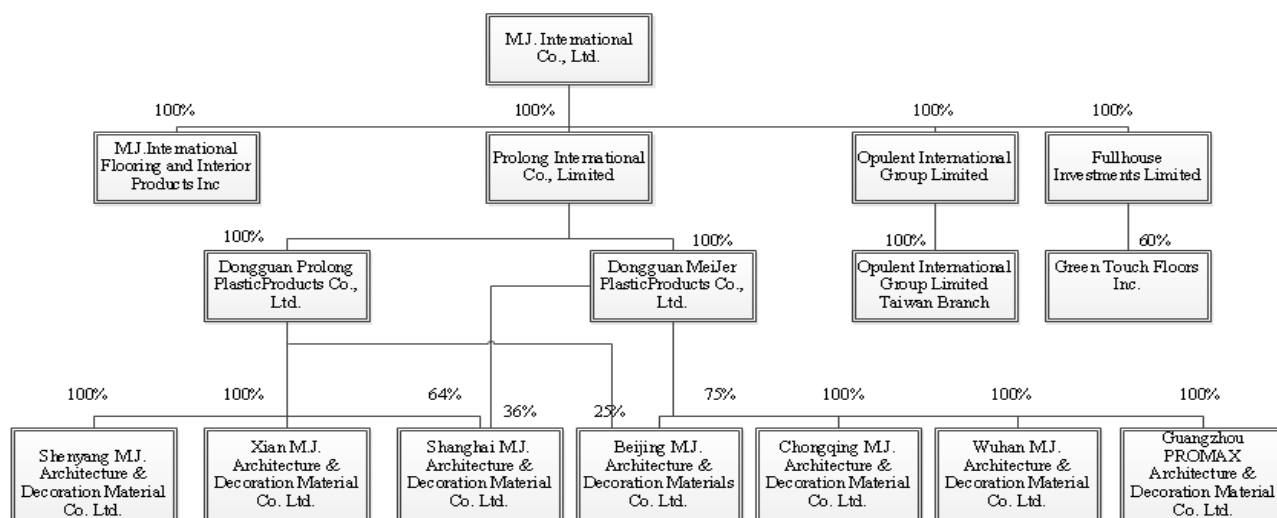
13. Other significant risks and responsive measures: None.

VII. Other important notes: None.

Eight. Special notes

I. Consolidated business reports of affiliated enterprises

(I) Organizational chart of affiliated enterprises



(II) Basic information by affiliated enterprise

Capital unit: NT\$ thousand

| Company name | Date of incorporation | Territory | Paid-in capital | Main functions |
|--|-----------------------|----------------|-----------------|--|
| Prolong International Co., Limited | November 18, 2010 | Hong Kong | USD14,460 | Investment holding |
| Opulent International Group Limited | November 15, 2012 | Hong Kong | USD8,700 | Procurement of raw materials and acceptance of order for export |
| Opulent International Group Limited Taiwan Branch | January 4, 2013 | Taiwan R.O.C. | - | Business location dedicated to accepting orders for export |
| M.J.International Flooring and Interior Products Inc | May 15, 1982 | Taiwan R.O.C.. | NTD50,000 | Sales and business location in the territories of Taiwan |
| Fullhouse Investments Limited | November 09, 2018 | Samoa | USD1,751 | Investment holding |
| Green Touch Floors Inc. | September 01, 2017 | Canada | CAD2,273 | Sales and operation sites at Canada |
| Dongguan Prolong PlasticProducts Co., Ltd. | August 10, 1993 | China | HKD78,538 | Investment holding, and production of sheet plastic flooring |
| Dongguan MeiJi PlasticProducts Co., Ltd. | January 1, 2002 | China | USD32,271 | Investment holding, and production of sheet plastic flooring |
| Chongqing M.J. Architecture & Decoration Material Co. Ltd. | November 23, 2012 | China | RMB8,000 | Sales and business location in the territories of the mainland China |
| Beijing M.J. Architecture & Decoration Materials Co. Ltd. | January 6, 2013 | China | RMB12,000 | Sales and business location in the territories of the mainland China |
| Shanghai M.J. Architecture & Decoration Material Co. Ltd. | January 7, 2013 | China | RMB47,000 | Sales and business location in the territories of the mainland China |
| Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. | August 1, 2013 | China | RMB3,000 | Sales and business location in the territories of the mainland China |
| Wuhan M.J. Architecture & Decoration Material Co. Ltd. | June 16, 2016 | China | RMB11,000 | Sales and business location in the territories of the mainland China |
| Xian M.J. Architecture & Decoration Material Co. Ltd. | August 18, 2017 | China | RMB5,000 | Sales and business location in the territories of the mainland China |
| Shenyang M.J. Architecture & Decoration Material Co. Ltd. | May 27, 2018 | China | RMB4,793 | Sales and business location in the territories of the mainland China |

(III) Information on shareholders presumed to have a controlling and dependent relationship: None.

(IV) The industry covered by the business operated by the entire affiliated enterprises

| Company name | Main functions within the Group |
|--|--|
| M.J.International Flooring and Interior Products Inc | Domestic sales and business location in Taiwan |
| Prolong International Co., Limited | Investment holding |
| Opulent International Group Limited | Procurement of raw materials |
| Opulent International Group Limited Taiwan Branch | Business location dedicated to accepting orders for export |
| Fullhouse Investments Limited | Investment holding |
| Green Touch Floors Inc. | Sales and operation sites at Canada |
| Dongguan Prolong PlasticProducts Co., Ltd. | Investment holding, and production of sheet plastic flooring |
| Dongguan MeiJer PlasticProducts Co., Ltd. | Investment holding, and production of sheet plastic flooring |
| Chongqing M.J. Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |
| Beijing M.J. Architecture & Decoration Materials Co. Ltd. | Sales and business location in the territories of the mainland China |
| Shanghai M.J. Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |
| Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |
| Wuhan M.J. Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |
| Xian M.J. Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |
| Shenyang M.J. Architecture & Decoration Material Co. Ltd. | Sales and business location in the territories of the mainland China |

(V) Information on directors, supervisors and presidents of the Company's affiliated enterprises

| Company name | Director | Supervisor | President |
|--|--|--|---------------|
| M.J.International Flooring and Interior Products Inc | M.J.International Flooring and Interior Products Inc - representative Chen Pen-Yuan, Kao Chen-Sheng and Lin An-Hsiu | M.J.International Flooring and Interior Products Inc - representative Hsieh Ming-Feng | Chen Pen-Yuan |
| Prolong International Co., Limited | Chen Pen-Yuan, Kao Chen-Sheng and Lin An-Hsiu | - | Chen Pen-Yuan |
| Opulent International Group Limited | Chen Pen-Yuan | - | Chen Pen-Yuan |
| Fullhouse Investments Limited | Chen Pen-Yuan | - | Chen Pen-Yuan |
| Green Touch Floors Inc. | Chen Pen-Yuan, Chen I-Hsiu, ZEN XU | - | ZEN XU |
| Dongguan Prolong PlasticProducts Co., Ltd. | Lo Fong-Chu, Chen Chien-Yuen and Kao Chen-Sheng | Hsieh Ming-Feng | Chen Pen-Yuan |
| Dongguan MeiJer PlasticProducts Co., Ltd. | Lo Fong-Chu, Chen Chien-Yuen and Kao Chen-Sheng | Hsieh Ming-Feng | Chen Pen-Yuan |
| Chongqing M.J. Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |

| | | | |
|--|-------------|--------------|---------------|
| Beijing M.J. Architecture & Decoration Materials Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |
| Shanghai M.J. Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |
| Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |
| Wuhan M.J. Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |
| Xian M.J. Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |
| Shenyang M.J. Architecture & Decoration Material Co. Ltd. | Chen I-Hsiu | Liu Chiao-Lu | Chen Pen-Yuan |

(VI) Operating overview of affiliated enterprises

| Name of enterprise | Currency type | Capital | Worth of total assets | Worth of total liabilities | Net worth | Operating revenue | Operating gain | Current gain (loss) | EPS |
|--|---------------|------------|-----------------------|----------------------------|-----------|-------------------|----------------|---------------------|------------------|
| | | | | | | | | (after tax) | (after tax) |
| Prolong International Co., Limited | USD | 14,460 | 64,024 | 0 | 64,024 | 0 | (9) | 1,993 | Note 1 |
| Opulent International Group Limited | USD | 8,700 | 58,218 | 37,215 | 21,003 | 92,062 | 11,175 | 8,150 | Note 1 |
| M.J.International Flooring and Interior Products Inc | NTD | 50,000 | 967,762 | 821,333 | 146,429 | 190,654 | 4,820 | 2,520 | 504.03 Note 2 |
| Fullhouse Investments Limited | USD | 1,751 | 1,763 | 0 | 1,763 | 0 | (1) | (73) | Note 1 |
| Green Touch Floors Inc. | CAD | 2,273 | 4,509 | 1,462 | 3,047 | 3,972 | 106 | 197 | Note 1 |
| Dongguan Prolong PlasticProducts Co., Ltd. | RMB | HKD 78,538 | 163,617 | 36,343 | 127,274 | 172,835 | 7,848 | 3,632 | Note 1 |
| Dongguan MeiJer PlasticProducts Co., Ltd. | RMB | USD 32,271 | 354,830 | 64,025 | 290,805 | 347,895 | 17,937 | 10,050 | Note 1 |
| Chongqing M.J. Architecture & Decoration Material Co. Ltd. | RMB | 8,000 | 4,105 | 1,096 | 3,009 | 3,296 | (982) | (976) | Note 1 |
| Beijing M.J. Architecture & Decoration Materials Co. Ltd. | RMB | 12,000 | 7,002 | 3,585 | 3,417 | 7,064 | (971) | (930) | Note 1 |
| Shanghai M.J. Architecture & Decoration Material Co. Ltd. | RMB | 47,000 | 70,442 | 41,914 | 28,528 | 15,858 | (2,036) | (1,529) | Note 1 |
| Guangzhou PROMAX Architecture & Decoration Material Co. Ltd. | RMB | 3,000 | 11,441 | 3,231 | 8,210 | 12,708 | (313) | (149) | Note 1 |
| Wuhan M.J. Architecture & Decoration Material Co. Ltd. | RMB | 11,000 | 9,999 | 1,108 | 8,891 | 5,098 | (176) | (129) | Note 1 |
| Xian M.J. Architecture & Decoration Material Co. Ltd. | RMB | 5,000 | 6,207 | 1,213 | 4,994 | 7,177 | 421 | 407 | Note 1 |
| Shenyang M.J. Architecture & Decoration Material Co. Ltd. | RMB | 4,793 | 4,388 | 886 | 3,502 | 1,038 | (636) | (661) | Note 1 |

Note 1. Not applicable, as it is a limited company.

Note 2. at par value NT\$10,000 per share.

(VII) Consolidated financial statements of affiliated enterprises: Please refer to Pages 105~184, as same as the consolidated financial statements.

(VIII) Affiliation report: N/A.

For the business lines operated by the Company and its affiliates enterprises, except Prolong International Co., Limited, which engages in investment holding, Dongguan MeiJer PlasticProducts Co., Ltd. and Dongguan Prolong PlasticProducts Co., Ltd. are both responsible for production and manufacturing. The other subsidies are responsible for the marketing business in various territories. The business lines operated by them are different from the Company's, provided that their source of supply is the Company only. Each affiliated enterprise engages in operations under the labor division system per the Company's entire business planning.

- II. Any private placement of securities in the recent years up to the publication of the annual report: None.
- III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the publication date of the annual report: N/A.
- IV. Other required supplementary notes: None.
- V. Significant matters which might affect shareholders' equity or stock price pursuant to the subparagraph 2, Paragraph 3 of Article 36 of the Securities and Exchange Act during the most recent year and until the date of publication of the annual report: None.