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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated financial statements of M. J. International Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the audit of the Group's consolidated financial statements for the year ended December 31, 2018 are stated below:

The operating revenue was $2,979,348 thousand for the year of 2018; while the revenue from the single customer accounted for approximately 33% of the total consolidated operating revenue. Therefore, we deemed the occurrence of sales to that specific customer particularly as a key audit matter. Please refer to Note 4(12)to the consolidated financial statements for the revenue recognition accounting policy.

In response, we performed the following audit procedures:

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, 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chuan Yu and Keng-Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 8,2019

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

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 666,079	18	$ 539,870	14
Financial assets at fair value through profit or loss (Notes 4 and 7)	58,469	2	74,828	2
Financial assets at fair value through other comprehensive income -current (Notes 4, 5, 8, 9 and 31)	429,183	11	-	-
Available-for-sale financial assets - current (Notes 4, 10 and 31)	-	-	692,603	18
Notes receivable (Notes 4, 5, 11 and 22)	9,003	-	7,117	-
Notes receivable - related parties (Notes 4, 5, 22 and 30)	425	-	17,434	-
Trade receivables (Notes 4, 5, 11 and 22)	922,870	25	998,177	25
Trade receivables - related parties (Notes 4, 5, 22 and 30)	37,136	1	26,055	1
Other receivables (Notes 4 and 11)	34,931	1	27,882	1
Inventories (Notes 4 and 12)	356,631	9	277,709	7
Other financial assets - current (Notes 4 and 17)	-	-	75,149	2
Other current assets - others (Notes 16 and 17)	89,580	2	46,570	1
Total current assets	2,604,307	69	2,783,394	71
Non-current assets				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5, 8 and 9)	26,612	1	-	-
Property, plant and equipment (Notes 4 and 14)	989,331	26	736,178	19
Other intangible assets (Notes 4 and 15)	2,416	-	4,435	-
Deferred income assets (Notes 4 and 24)	4,036	-	3,632	-
Long-term prepayments for leases (Note 16)	54,761	2	57,143	1
Other non-current assets (Notes 4, 17 and 31)	87,398	2	336,775	9
Total non-current assets	1,164,554	31	1,138,163	29
Total assets	$ 3,768,861	100	$ 3,921,557	100
Liabilities and equity				
Current liabilities				
Short-term borrowings (Notes 18 and 31)	$ 474,000	13	$ 608,000	15
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	4	-	-	-
Contract liabilities - current (Notes 4 and 22)	31,588	1	-	-
Trade payables	465,965	12	327,048	8
Other payables (Notes 4, 19 and 26)	268,985	7	230,206	6
Current tax liabilities (Notes 4 and 24)	18,363	1	30,205	1
Provisions - current (Notes 4 and 20)	16,219	-	18,360	-
Other current liabilities (Note 19)	2,121	-	21,252	1
Total current liabilities	1,277,245	34	1,235,071	31
Non-current liabilities				
Deferred tax liabilities (Notes 4 and 24)	54,506	1	116,142	3
Total non-current liabilities	54,506	1	116,142	3
Total liabilities	1,331,751	35	1,351,213	34
Equity attributable to owners of the company (Note 21)				
Share capital				
Ordinary shares	660,590	18	660,590	17
Capital surplus	1,205,967	32	1,205,967	31
Retained earnings				
Legal reserve	106,452	3	56,980	1
Special reserve	52,462	1	-	-
Unappropriated earnings	491,685	13	692,335	18
Total retained earnings	650,599	17	749,315	19
Other equity	(80,046)	(2)	(45,528)	(1)
Total equity attributable to owners of the company	2,437,110	65	2,570,344	66
Total equity	2,437,110	65	2,570,344	66
Total liabilities and equity	$ 3,768,861	100	$ 3,921,557	100

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

Chairman: Chen Pen-Yuan　　Manager: Chiang Tzu-Hua　　Chief Accountant: Liu Chao-Lu

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)				
Sales	$ 2,979,348	100	$ 3,684,253	100
OPERATING COSTS (Notes 12 and 23)				
Cost of goods sold	(2,333,872)	(78)	(2,753,113)	(75)
GROSS PROFIT	645,476	22	931,140	25
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	(223,915)	(8)	(216,034)	(6)
General and administrative expenses	(154,740)	(5)	(158,420)	(4)
Research and development expenses	(8,642)	-	(13,552)	-
Total operating expenses	(387,297)	(13)	(388,006)	(10)
Operating profit	258,179	9	543,134	15
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	45,320	1	29,934	1
Other gains and losses (Notes 4 and 23)	16,338	1	(54,000)	(2)
Financial costs (Notes 4 and 23)	(5,134)	-	(2,468)	-
Total non-operating income and expenses	56,524	2	(26,534)	(1)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	314,703	11	516,600	14
INCOME TAX EXPENSE (Notes 4 and 24)	(4,267)	-	(21,883)	(1)
NET PROFIT FOR THE YEAR	310,436	11	494,717	13
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 21)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(208)	-	(92,200)	(2)
Unrealized gain/(loss) on available-for-sale financial assets	-	-	6,934	-
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(47,108)	(2)	-	-
Other comprehensive income for the year, net of income tax	(47,316)	(2)	(85,266)	(2)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	$ 263,120	9	$ 409,451	11
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 4.70		$ 7.49	
Diluted	$ 4.67		$ 7.46	
Other comprehensive income/(loss) for the year, net of income tax				

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

Chairman: Chen Pen-Yuan Manager: Chiang Tzu-Hua Chief Accountant: Liu Chao-Lu

M. J. International Co., Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity attributable to owners of the company								
			Retained earnings			Other equity			
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences translating the financial statements of foreign operations	Unrealized gains (loss) on available-for-sale financial assets	Unrealized gains (loss) on financial assets at fair value through other comprehensive income	Total equity
BALANCEAT JANUARY 31, 2017	$ 660,590	$ 1,205,967	$ -	$ -	$ 717,011	$ 39,738	$ -	$ -	$ 2,623,306
Appropriation of 2016 earnings(Note 21)									
Legal reserve	-	-	56,980	-	(56,980)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(462,413)	-	-	-	(462,413)
Net profit for the year ended December 31, 2017	-	-	-	-	494,717	-	-	-	494,717
Other comprehensive income/(loss) for the year ended December 31, 2017, net of income tax (Note 21)	-	-	-	-	-	(92,200)	6,934	-	(85,266)
Total comprehensive income/(loss) for the year ended December 31, 2017	-	-	-	-	494,717	(92,200)	6,934	-	409,451
BALANCEAT DECEMBER 31, 2017	660,590	1,205,967	56,980	-	692,335	(52,462)	6,934	-	2,570,344
Effect of retrospective application and retrospective restatement (Notes 3 and 21)	-	-	-	-	(12,798)	-	(6,934)	19,732	-
BALANCE AT JANUARY 1,2018 AS RESTATED	660,590	1,205,967	56,980	-	679,537	(52,462)	-	19,732	2,570,344
Appropriation of 2017 earnings (Note 21)									
Legal reserve	-	-	49,472	-	(49,472)	-	-	-	-
Special reserve	-	-	-	52,462	(52,462)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(396,354)	-	-	-	(396,354)
Net profit for the year ended December 31, 2018	-	-	-	-	310,436	-	-	-	310,436
Other comprehensive (loss) for the year ended December 31, 2018, net of income tax (Note 21)	-	-	-	-	-	(208)	-	(47,108)	(47,316)
Total comprehensive (loss) for the year ended December 31, 2018	-	-	-	-	310,436	(208)	-	(47,108)	263,120
BALANCE AT DECEMBER 31, 2018	$ 660,590	$ 1,205,967	$ 106,452	$ 52,462	$ 491,685	($ 52,670)	$ -	($ 27,376)	$ 2,437,110

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

Chairman: Chen Pen-Yuan Manager: Chiang Tzu-Hua Chief Accountant: Liu Chao-Lu

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
Net cash flow from operating activities		
Income before income tax	$ 314,703	$ 516,600
Adjustments for:		
Impairment loss recognized on trade receivables	-	189
Depreciation expenses	104,929	74,133
Amortization expenses	2,644	1,304
Amortization of prepayments for leases	1,416	1,399
Financial costs	5,134	2,468
Interest income	(39,956)	(25,350)
Write-downs of inventories	7,881	4,496
(Gain)loss on disposal of property, plant and equipment	91	(1,736)
Net (gain) on fair value changes of financial assets designated as at fair value through profit or loss	(116)	(661)
Net loss on disposal of available-for-sale financial assets	11,192	-
Net (gain)loss on foreign currency exchange	(8,131)	38,153
Changes in operating assets and liabilities		
(Increase)decrease in financial assets mandatorily classified as at fair value through profit or loss	646	(75,856)
Notes receivable	(1,886)	(2,310)
Notes receivable - related parties	17,009	(8,651)
Trade receivables	104,258	(129,912)
Trade receivables- related parties	(11,081)	(10,754)
Other receivables	(7,967)	6,118
Inventories	(91,421)	(16,451)
Other current assets	(42,296)	53,674
Contract liabilities	9,277	-
Trade payables	142,802	(185,697)
Other payables	39,351	(44,537)
Provisions	(1,636)	(2,720)
Other current liabilities	996	4,775
Cash generated from operations	557,839	198,674
Interest paid	(5,134)	(2,468)
Interest received	10,966	7,101
Income tax paid	(78,112)	(124,747)
Net cash generated from operating activities	485,559	78,560

(Continued)

	2018	2017
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(27,384)	-
Acquisition of available-for-sale financial assets	-	(701,309)
Acquisition of financial assets at fair value through profit or loss	(62,625)	-
Proceeds from the disposal of financial assets at fair value through other comprehensive income	222,320	-
Proceeds from the disposal of financial assets at fair value through profit or loss	77,351	-
Interest received	29,433	9,947
Acquisition of property, plant and equipment	(80,660)	(76,732)
Acquisition of intangible assets	(549)	(3,757)
Proceeds from disposition of property, plant and equipment	262	2,632
Increase in refundable deposit	(1,000)	-
Decrease in other financial assets	76,542	24,780
Increase in other non-current assets	(47,084)	(297,350)
Net cash used in investing activities	186,606	(1,041,789)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	621,729
Repayments of short-term borrowings	(147,786)	-
Cash dividends	(396,354)	(462,413)
Net cash used in financing activities	(544,140)	159,316
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,816)	(62,444)
Net increase (decrease) in cash and cash equivalents	126,209	(866,357)
Cash and cash equivalents at the beginning of the year	539,870	1,406,227
Cash and cash equivalents at the end of the year	$ 666,079	$ 539,870

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

Chairman: Chen Pen-Yuan Manager: Chiang Tzu-Hua Chief Accountant: Liu Chao-Lu

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

Notes To Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 8, 2019.

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

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

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

1. IFRS 9 "Financial Instruments" and related amendment

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 539,870	$ 539,870	(1)
Derivatives	Fair value through profit or loss	Mandatorily at fair value through profit or loss (FVTPL)	646	646	(2)
Equity securities	Fair value through profit or loss	Mandatorily at FVTPL	74,182	74,182	(2)
Debt securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	692,603	692,603	(3)
Notes and accounts receivable (including related parties), other receivables and refundable deposits	Loans and receivables	Amortized cost	1,141,189	1,141,189	(1)
Pledged financial assets	Loans and receivables	Amortized cost	2,000	2,000	(1)

	Amount as of January 1, 2018 (IAS 39)	Re-classification	Re-measurement	Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
Amortized cost							
	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from loans and receivables (IAS 39))	-	1,683,059	-	1,683,059	-	-	(1)
Total	$ -	$ 1,683,059	$ -	$ 1,683,059	$ -	$ -	
FVTOCI-- Debt instruments							
Add:Add: Reclassification from available-for-sale (IAS 39)	-	692,603	-	692,603	(12,798)	12,798	(3)
Total	$ -	$ 692,603	$ -	$ 692,603	($ 12,798)	$ 12,798	

(1)Cash and cash equivalents, restricted bank deposits, notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

(2)Derivatives and fund beneficiary certificate that were classified as financial assets held for trading under IAS 39 shall be classified as the financial assets mandatorily at fair value through profit or loss under IFRS 9.

(3)Bond investment that was classified as available-for-sale financial assets under IAS 39 shall be classified as the financial assets at fair value through comprehensive income with assessment of expected credit loss under IFRS 9, because its business model achieved the purpose through collection of the cash flow by contract and sale of financial assets based on the facts and conditions existing on January 1, 2018. The Company reclassified the other equity-unrealized gain or loss on available-for-sale financial assets, NT$6,934 thousand, into the other equity-unrealized gain or loss on financial assets at fair value through other comprehensive income. The other equity-unrealized gain or loss on financial assets at fair value through other comprehensive income would increase by NT$12,798 thousand as a result of the retroactive application of expected credit loss resulting in the decrease in retained earnings on January 1, 2018 by NT$12,798 thousand.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Before application of IFRS 15, accounts receivable was recognized or customer advances received was reduced when revenue was recognized for the contract under IAS 18.

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

Impact on liabilities for the current period

	Carrying Amount as of January 1, 2018 before application	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2018 after application
Provisions - current	$ 1,030	($ 1,030)	$ -
Other payables	230,206	1,030	231,236
Contract liabilities-current	-	20,465	20,465
Other current liabilities	21,252	(20,465)	787
Total effect on liabilities		$ -	

The following table shows the amount affected in the current period by the application of IFRS 15 as compared to IAS 18:

Impact on Liabilities

	December 31, 2018
Decrease in contract liabilities-current	($ 31,588)
Increase in advance receipts	31,588
Decrease in other payables	(1,284)
Increase in provisions - current	1,284
	$ -

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs issued by IASB and endorsed by FSC with effective date starting 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019(Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019(Note3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

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

1. IFRS 16 IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

   Definition of a lease

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

The Group as lessee

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

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

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17.Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
b) The Group will account for those leases for which the lease term ends on or before December31, 2019 as short-term leases.
c) The Group will use hindsight, such as in determining lease terms, to measure lease

liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	$ 1,389	($ 1,389)	$ -
Prepayments for leases - non-current	54,761	(54,761)	-
Right-of-use assets	-	63,569	63,569
Total effect on assets		$ 7,419	
Lease liabilities - current	$ -	$ 3,396	$ 3,396
Lease liabilities-non-current	-	5,699	5,699
Total effect on liabilities		$ 9,095	
Retained earnings	$ 650,599	($ 1,676)	$ 648,923
Total effect on equity		($ 1,676)	

2. IFRIC23 “Uncertainty Over Income Tax Treatments”

   IFRIC 23 clarifies that when there is uncertainty Over Income Tax Treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits and tax rates consistently with the tax treatment used or planned to be use in its income tax filing. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax uncertainly. The Group has to reassess its judgments and estimates if fact and circumstances change. Prior applying to IFRIC 23, the Group adjusted tax expense and tax liabilities based on the actual results upon obtaining the documents from the tax authorities.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a significant influence on the Group’s financial position and financial performance.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB.
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a significant influence on the Group’s financial position and financial performance

4. Summary of Significant Accounting Polices

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.

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 and net defined benefit liabilities which are measured at the present value of defined benefit obligation less the fair value of plan assets.

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 an asset or liability.

Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

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

See Note 13, Table 7 and Table 8 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentages of ownership and main businesses).

Foreign currencies

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group’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 interest in 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 attributable to the owners of the Company 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 accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventory

Inventories consist of raw materials, supplies, finished goods, work-in-progress, and inventory in transit 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.
Property, plant and equipment in the course of construction are carried 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.

Depreciation on 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.

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.

2. Derecognition
   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.

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 any impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Financial Instruments

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

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

2018

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

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

B. Financial assets at amortized cost

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

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. 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 and other receivables at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

C. Investments in debt instruments at FVTOCI

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

   a. 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
   b. 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.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note29.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

C. Loans and receivables

Loans and receivables (including trade receivables, other receivables, cash and cash equivalents and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and 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.

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

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 150 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the year.

In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, 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. Starting from 2018, 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. However, 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 that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

a) Subsequent measurement

Except for 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 held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liabilities.

Fair value is determined in the manner described in Note 29

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.

Derivative financial instruments

The Group enters into derivative financial instruments, such as foreign exchange forward contracts, to manage its exposure to foreign currency exchange rate and interest rate risks.

Derivatives are initially recognized at fair value at the date in 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 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, 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.

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 agreed-up on specifications 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.

Sales returns and allowances

2017

The sales returns and other allowances are provided based on the amount reasonably estimated according to historical experience and other critical factors.

Revenue Recognition

2018

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

Revenue from the sale of goods comes from LVT floors Sales of LVT floors are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped 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. Trade receivables are recognized concurrently. Advance receipts are stated as contract liabilities before the products 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.

2017

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

1) Revenue from the sale of goods

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

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

2) Interest income

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

Leasing

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

The Group as lessee

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

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.

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 that are receivable as compensation for expenses or losses already incurred recognized in profit or loss in the period in which they become receivable.

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

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

Taxation

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

1) Current tax

   According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is recognized for as income tax 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 all deductible temporary differences, unused loss carry forwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 assets and liabilities and 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 that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income. Where current taxes or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATIONUNCERTAINTY

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

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

Judgment business model by class of financial assets-2018

The Corporation assesses the business model under which the financial assets are managed, from the point of view that reflects how groups of financial assets are managed together to achieve a particular business objective. The assessment shall take all pieces of critical evidence into consideration, including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how related managers are compensated, and also exercise judgments. The Company continues to assess whether the business model is appropriate, and monitors the investment of debt instrument at fair value through other comprehensive income derecognized prior to the maturity date thereof to verify the reasons of disposition thereof to assess whether or not the disposition is consistent with the objective of the business model. The Company adjusts the classification of the financial assets acquired in the subsequent period prospectively, if the business model is found changed.

Estimated impairment of financial assets – 2018

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 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

Estimated impairment of accounts receivables and other receivables - 2017

When there is objective evidence of impairment loss on receivables, the Group takes into consideration the estimation of the future cash flows. The amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 2,988	$ 1,880
Checking accounts and demand deposits	418,108	313,078
Cash equivalents (Time deposits with original maturities of less than three months)	244,983	224,912
	$666,079	$539,870

Interest rates for deposits in the bank on the balance sheet date were as follows:

	December 31, 2018	December 31, 2017
Deposits	0.01%~3.00%	0.01%~3.80%

7. Financial instruments at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets - current		
Held for trading		
Derivatives (not under hedge accounting)		
－Forward foreign exchange contracts (I)	$ -	$ 646
Non- derivatives		
－Fund beneficiary certificate	-	74,182
Mandatorily measured at FVTPL		
Derivatives (not under hedge accounting)		
－Forward foreign exchange contracts (I)	2,527	-
Hybrid financial assets		
－Structured deposits (II)	55,942	-
	$ 58,469	$ 74,828
Financial liabilities-current		
Held for trading		
Derivatives (not under hedge accounting)		
－Forward foreign exchange contracts (I)	$ 4	$ -

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

	Currency	Maturity date	Contract Amount (In Thousands)
December 31, 2018			
Sell USD/Buy RMB	USD/RMB	2019.1.24~2019.3.25	USD 8,500/RMB 58,988
Sell USD/Buy RMB	USD/RMB	2019.1.3	USD 1,000/RMB 6,870
December 31, 2017			
Sell USD/Buy RMB	USD/ RMB	January 10, 2018	USD 915/RMB 6,000
Sell USD/Buy RMB	USD/RMB	January 24, 2018	USD 3,658/RMB 24,000

The Group entered into foreign exchange forward contracts and foreign exchange option contracts in 2018 and 2017 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

(II) 1. The Company enters into the structured time deposits contracts effective for 30 days and 127 days with banks. The structured time deposits include one embedded derivative which is not closely related to the host contract. Since the host contract included in the hybrid contracts refers to the assets falling in the scope of IFRS 9, the entire hybrid contracts shall be mandatorily classified at fair value through profit or loss.

The Company is not allowed to redeem the financial instruments earlier prior to expiration of the investment cycle.

8. Financial assets at fair value through other comprehensive income - 2018

Investments in debt instruments at FVTOCI

	December 31, 2018
Current	
Overseas investments	
Overseas bond investment	$429,183
Non-current	
Overseas investments	
Overseas bond investment	$ 26,612

(I) Investments in debt instruments at FVTOCI were classified as available-for-sale financial assets under IAS39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

(II) For the information about credit risk management and impairment assessment on the investment of debt instrument at fair value through other comprehensive income, refer to Notes 9.

(III) For the information about pledge/mortgage of the investment of debt instrument at fair value through other comprehensive income, refer to Noted 31.

The additions of overseas bonds investments by the Group in 2018 were as follows:

Issuer	Coupon rate	Effective interest rate	Year/Term
Tianfang Jincheng BVI Limited	5.500%	5.400%	1
HSBC Holdings PLC	6.000%	5.680%	Perpetual
Standard Chartered PLC	7.500%	6.910%	Perpetual
Logan Property Holdings Company Limited	6.375%	6.600%	3

9. Credit risk management of debt instrument investment - 2018

December 31, 2018

	FVTOCI
Gross carrying Amount	$ 496,790
Allowance for loss	(12,798)
Fair Value Adjustments	(27,376)
Effect of exchange rate changes	(821)
	$ 455,795

According to the investment policy adopted by the Group, the Group primarily invests in debt instruments that are rated as investment grade or higher and categorized as low-risk. The credit rating information is supplied by independent rating agencies. The Company assesses whether there has been a significant increase in credit risk since initial recognition by keeping following up changes in the credit risk over the investment in debt instruments supervised based on the external credit ratings and also reviewing the other information about bond yield curves and important messages about debtors.

The Group assesses the 12-month expected credit loss and lifetime expected credit loss based on the probability of default and loss given default provided by external credit rating agencies, the debtor’s current financial position and the forecast about the vision of the industry engaged in by the debtor. The Group’s current credit risk rating mechanism and the total carrying amount of the investments in debt instruments that are rated as investment grade are as follows:

Category	Definition	Basis for Recognizing Expected Credit Loss	Expected credit loss ratio	Total carrying Amount as of December 31, 2018
Performing	The debtor has a low credit risk and a strong capacity to meet contractual cash flows.	12 months expected credit loss	0%	$ 312,578
Doubtful	There has been a significant increase in credit risk since initial	Lifetime expected credit loss (loss-not	1.40%~ 12.72%	184,212

	recognition, or the debtor has a higher credit risk but still has a strong capacity to meet contractual cash flows.	credit impaired)		
In default	There is evidence showing impairment on credit.	Lifetime expected credit loss (loss -credit impaired)	20.46%	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Written off directly	100%	-
				$ 496,790

The information about changes of allowance for loss on the Group's investment of debt instrument at FVTCO as following by the credit risk ratings:

	Category		
	Performing (12 months expected credit loss)	Doubtful (Lifetime expected credit loss and not credit impaired)	In default (Lifetime expected credit loss and credit impaired)
Balance at January 1, 2018 (IAS 39)	$ -	$ -	$ -
Adjustment on initial application of IFRS 9	-	12,798	-
Balance at December 31, 2018 (IFRS 9)	$ -	$ 12,798	$ -

10. Available-for-sale financial assets－2017

	December 31, 2017
Current	
Overseas investments	
Overseas bond investment	$ 692,603

As of December 31, 2017 the relevant product details were as follows:

Issuer	Coupon rate	Effective interest rate	Year/Term
Banco Santander S.A.	5.179%	4.774%	10
Citigroup Inc. (Note 1)	4.125% and 4.450%	3.980%, 4.000% and 4.061%	12
Bank Of America Corp. (Note 2)	4.183%	3.830% and 4.010%	11

Credit Agricole S.A. London Branch	4.125%	4.000%	10
SocieteGenerale S.A.	4.000%	4.040%	10
Credit Suisse Group AG (Note 3)	4.282%	4.040% and 4.070%	11
PetroleosMexicanos	4.500%	4.470% and 4.590%	10
Huarong Finance II Co., LTD.	3.625% and 5.500%	3.320% and 4.372%	5 and 10
ESKOM Holdings SOC Limited	5.750% and 6.750%	5.050% and 6.080%	10
Turkiye IS Bankasi A.S.	5.500%	5.110%	5.5
BanqueOusetAfricaine de Developpement	5.000%	4.500%	10
Republic Of South Africa	4.850%	4.800%	10
Barminco Finance PTY Limited	6.625%	6.940%	5
Western Digital Corporation (Note 4)	7.375%	5.350%	7
Golden Legacy Pte. Ltd.	6.875%	7.375%	7
Indika Energy Capital III Pte-Anleihe	5.875%	5.350%	7
Yestar Healthcare Holdings Company Limited	6.900%	5.420%	5
Golden Wheel Tiandi Holdings Company Limited	8.250%	6.820%	3
Prime Bloom Holdings Limited	7.500%	6.550%	3
Yuzhou Properties Company Limited	6.000%	5.540%	5
RKP Overseas Finance 2016 (A) Limited	7.950%	7.550%	Perpetual
China Evergrande Group	8.750%	7.960%	8
Softbank Group Corp.	6.875%	6.580%	Perpetual
Zhongrong International Resources Co., Ltd.	7.250%	7.600%	3
China Grand Automotive Services	5.625%	5.590%	Perpetual
Jiuding Group Finance	6.500%	6.640%	3
Yango Justice International Limited	7.500%	7.420%	3
Wuhan Dangdai Science and Technology Industries Group	7.250%	7.170%	3
Times Property Holdings Limited	6.600%	6.620%	5.25
Qinghai Province General Aviation Group (Note 5)	6.000%	5.940%	1

Note 1: The Group has redeemed the bonds in part earlier in August and November 2018.
Note 2: The Group has redeemed the bonds earlier in August 2018.
Note 3: The Group has redeemed the bonds earlier in November 2018.

Note 4: The Group has redeemed the bonds earlier in March 2018.
Note 5: The bonds have been recalled upon maturity in December 2018.
Refer to Note 37 for information relating to debt investments pledged as security.

11. Notes receivable, Trade receivables and other receivables

	December 31, 2018	December 31, 2017
Notes receivable		
At amortized cost		
Gross carrying amount - from operating activities	$ 9,003	$ 7,117
Less: Allowance for impairment loss	-	-
	$ 9,003	$ 7,117
Trade receivables		
At amortized cost		
Gross carrying Amount	$923,997	$999,304
Less: Allowance for impairment loss	(1,127)	(1,127)
	$922,870	$998,177
Other receivables		
Tax refund receivable	$ 21,418	$12,885
Interest receivable	7,859	8,302
Others	5,654	6,695
	$34,931	$27,882

(I) Note and trade receivable

2018

The average number of days for honoring notes receivable granted by the Group are 30~60 days. The credit periods for the sale of goods granted by the Group are 30~150 days. In order to minimize credit risk, the Group's management has delegated dedicated personnel responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. 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 applies the simplified approach under IFRS 9 to recognize the allowance for loss on trade receivables based on the lifetime expected credit losses under IFRS 9. The lifetime expected credit losses are estimated using a provision matrix by reference to the historical experience, current market condition and looking-forward information. As the Group's historical credit loss experience shows no significantly different loss patterns for different customer segments, the provision matrix for allowance doesn't further distinguish the customer bases, but sets the expected credit loss ratio based on the number of days of the overdue receivables.

The Group writes off the relevant receivables when there is evidence showing that the trading counterpart is in severe financial difficulty and it is impossible for the Group to expect the recoverable amount reasonably. Notwithstanding, the Group will continue to collect the accounts, and the accounts collected therefore are stated as income.

The allowance for loss on notes receivable measured by the Group based on the provision matrix is stated as following:

	Not past due
Expected credit loss ratio	0%
Total carrying Amount	$ 9,003
Allowance for loss (Lifetime expected credit loss)	-
Amortized cost	$ 9,003

The allowance for loss on trade receivables measured by the Group based on the provision matrix is stated as following:

December 31, 2018

	Not past due	Past due 1~60 days	Past due 61~90 days	Past due for 91~120 days	Past due over 120 days	Total
Expected credit loss ratio	-	1.858%	-	-	-	
Gross carrying Amount	$ 863,326	$ 60,671	$ -	$ -	$ -	$ 923,997
Allowance for loss (Lifetime expected credit loss)	-	(1,127)	-	-	-	(1,127)
Amortized cost	$ 863,326	$ 59,544	$ -	$ -	$ -	$ 922,870

The information about changes of the allowance for loss on trade receivables:

	2018
Balance at January 1, 2018 (IAS 39)	$ 1,127
Adjustment on initial application of IFRS 9	-
Balance at December 31, 2018 (IFRS 9)	$ 1,127

2017

The Group applies the same credit policy in 2018 and 2017. The Group assesses the reason of overdue receivables individually periodically by the customer type. If any abnormality is assessed and confirmed, the Group will identify the estimated allowance for bad debt ratio as the overdue amount to the relevant customer's sales, net in the current period, and calculate the allowance for bad debt based on the allowance for bad debt ratio to the balance of the trade receivables from the customer to estimate the uncollectible receivables.

For the trade receivables that are past due on the balance sheet date but are not yet recognized by the Group as the allowance for bad debt, because there is no significant change in their credit quality and the accounts are overdue due to the difference in the timing of both parties' reconciliation, the Group's management believes that the amounts are still recoverable. No collateral or other credit enhancements are held by the Group for these receivables.

The aging of trade receivables is analyzed as following:

	December 31, 2017
Not past due	$ 969,875
1~60 days	29,429
61~90 days	-
Over 121 days	-
Total	$ 999,304

The above analysis is based on the number of overdue days.

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

	December 31, 2017
1~60 days	$ 28,302

The above analysis is based on the number of overdue days.

The information about changes of the allowance for bad debt on trade receivables:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 3,226	$ 3,226
Add: Impairment losses recognized on receivables	2,169	-	2,169
Less: Amounts written off during the year as uncollectable	(2,169)	-	(2,169)
Less: Reversed impairment losses	-	(1,980)	(1,980)
Foreign exchange gains and losses	-	(119)	(119)
Balance at December 31, 2017	$ -	$ 1,127	$ 1,127

(II) Other receivables

2018

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%.

2017

The accounts stated by the Group as other receivables are primarily the tax refund receivable and interest receivable. According to the historical experience, the same were not uncollectible in the past. Meanwhile, after considering the trading counterpart's past payment record and analyzing its current financial position, the Group doesn't provide the allowance for bad debt.

12. Inventory

	December 31, 2018	December 31, 2017
Commodity	$ 21,295	$ 14,770
Finished goods	97,133	61,727
Work in process	103,562	74,859
Raw materials and supplies	95,256	95,745
Inventory in transit	39,385	30,608
	$356,631	$277,709

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The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $2,333,872 thousand and $2,753,113 thousand, respectively.

The cost of goods sold for the year ended December 31, 2018 and 2017 included inventory write-downs for the decline in market value, obsolescence of inventories were $7,881 thousand and $4,496 thousand, respectively.

13. Subsidiaries

Subsidiaries included in the consolidated financial statements

The subsidiaries included into the consolidated financial statements are stated as following:

			% of ownership	
Investor	Investee	Main business	December 31,2018	December 31,2017
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 floors	100%	100%
	Opulent International Group Limited(“Opulent”)	International trade	100%	100%
	Fullhouse Investments Limited.	Investment holding	- (Note 3)	-
Prolong HK	Dongguan Mei Jer Plastic Products Co., Ltd.(“M.J. Dongguan”)	Production and sale of tiles, decoration materials and construction materials, and investment holding.	100%	100%
	Dongguan Prolong Plastic Products Co., Ltd.(“Prolong Dongguan”)	Production and sale of tiles, decoration materials and construction materials, and investment holding.	100%	100%
M.J. Dongguan	Chongqing M.J. Architecture & Decoration Materials Co., Ltd.(“M.J. Chongqing”)	Sale of plastic tiles, decoration materials and construction materials.	100%	100%
	Guangzhou Promax Architecture & Decoration Materials Co., Ltd.(“M.J. Guangzhou”)	Sale of plastic tiles, decoration materials and construction materials.	100%	100%
	Beijing M.J. Architecture & Decoration Materials Co., Ltd. (“M.J. Beijing”)	Sale of plastic tiles, decoration materials and construction materials.	100%	100%
	Shanghai M.J. Architecture & Decoration Materials Co., Ltd.	Sale of plastic tiles, decoration materials and construction materials.	36%	36%

	("M.J. Shanghai")			
	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% (Note 1)	100% (Note 1)
	Shenyang M.J. Architecture & Decoration Materials Co., Ltd. ("M.J. Shenyang")	Sale of plastic tiles, decoration materials and construction materials.	100% (Note 2)	-

Note 1: Xian Mei Jer Construction and Decoration Materials Co., Ltd. was founded and registered on August 18, 2017, and remitted the capitals, RMB4,000 thousand and RMB1,000 thousand, inward in October 2017 and April 2018 respectively.

Note 2: Shenyang Mei Jer Construction and Decoration Materials Co., Ltd. was founded and registered on May 27, 2018, and remitted the capitals, RMB4,000 thousand, RMB500 thousand and RMB200 thousand, inward in June, October and November 2018 respectively.

Note 3: FULLHOUSE INVESTMENTS LIMITED was incorporation on November 2, 2018, which has not yet contributed any capital by December 31, 2018.

14. Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Other equipment	Property in Construction	Total
Costs									
Balance at January 1, 2017	$ 9,393	$ 529,324	$ 645,809	$ 40,938	$ 21,215	$ 13,260	$ 79,300	$ 548	$ 1,339,787
Additions	-	16,107	32,683	570	9,764	3,644	3,982	-	66,750
Disposals	-	(63)	(10,243)	(944)	(3,031)	(822)	(1,591)	-	(16,694)
Reclassified (Note 1)	-	531	-	-	-	-	-	(531)	-
Effect of exchange rate changes	-	(10,417)	(12,615)	(929)	(358)	(246)	(1,586)	(17)	(26,168)
Balance at December 31, 2017	$ 9,393	$ 535,482	$ 655,634	$ 39,635	$ 27,590	$ 15,836	$ 80,105	$ -	$ 1,363,675
Accumulated depreciation									
Balance at January 1, 2017	$ -	$ 139,629	$ 316,921	$ 29,834	$ 17,268	$ 11,132	$ 65,364	$ -	$ 580,148
Disposals	-	(43)	(9,389)	(944)	(3,031)	(822)	(1,569)	-	(15,798)
Depreciation expenses	-	25,198	36,899	4,411	2,015	1,494	4,116	-	74,133
Effect of exchange rate changes	-	(2,489)	(6,024)	(640)	(361)	(172)	(1,300)	-	(10,986)
Balance at December 31, 2017	$ -	$ 162,295	$ 338,407	$ 32,661	$ 15,891	$ 11,632	$ 66,611	$ -	$ 627,497
Carrying amounts at December 31, 2017	$ 9,393	$ 373,187	$ 317,227	$ 6,974	$ 11,699	$ 4,204	$ 13,494	$ -	$ 736,178
Costs									
Balance at January 1, 2018	$ 9,393	$ 535,482	$ 655,634	$ 39,635	$ 27,590	$ 15,836	$ 80,105	$ -	$ 1,363,675
Additions	-	-	3,287	5,791	2,302	2,369	19,800	47,816	81,365
Disposals	-	-	(2,476)	(1,766)	-	(4,762)	(1,689)	-	(10,693)
Reclassified (Note 2)	-	266,354	791	-	-	-	27,409	-	294,554
Effect of exchange rate changes	-	(14,113)	(11,255)	(819)	(522)	(122)	(2,203)	(887)	(29,921)
Balance at December 31, 2018	$ 9,393	$ 787,723	$ 645,981	$ 42,841	$ 29,370	$ 13,321	$ 123,422	$ 46,929	$ 1,698,980
Accumulated depreciation									
Balance at January 1, 2018	$ -	$ 162,295	$ 338,407	$ 32,661	$ 15,891	$ 11,632	$ 66,611	$ -	$ 627,497
Disposals	-	-	(2,476)	(1,484)	-	(4,757)	(1,623)	-	(10,340)
Depreciation expenses	-	33,731	52,796	3,515	3,602	1,831	9,454	-	104,929
Effect of exchange rate changes	-	(3,364)	(6,641)	(662)	(343)	(90)	(1,337)	-	(12,437)
Balance at December 31, 2018	$ -	$ 192,662	$ 382,086	$ 34,030	$ 19,150	$ 8,616	$ 73,105	$ -	$ 709,649
Carrying amounts at December 31, 2018	$ 9,393	$ 595,061	$ 263,895	$ 8,811	$ 10,220	$ 4,705	$ 50,317	$ 46,929	$ 989,331

Note 1: Reclassified into the property, plant and equipment from the property in construction.

Note 2: Reclassified into the property, plant and equipment from the prepayments for purchase of property or equipment.

The Group’s property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

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

15. Other intangible assets

	Patents	Computer software	Total
Costs			
Balance at January 1, 2017	$ 967	$ 8,466	$ 9,433
Additions	-	3,757	3,757
Effect of exchange rate changes	-	(120)	(120)
Balance at December 31, 2017	$ 967	$ 12,103	$ 13,070
Accumulated amortization			
Balance at January 1, 2017	($ 282)	($ 7,088)	($ 7,370)
Amortization expenses	(182)	(1,122)	(1,304)
Effect of exchange rate changes	-	39	39
Balance at December 31, 2017	($ 464)	($ 8,171)	($ 8,635)
Carrying amounts at December 31, 2017	$ 503	$ 3,932	$ 4,435
Costs			
Balance at January 1, 2018	$ 967	$ 12,103	$ 13,070
Additions	-	549	549
Disposals	-	(8,469)	(8,469)
Effect of exchange rate changes	-	154	154
Balance at December 31, 2018	$ 967	$ 4,337	$ 5,304
Accumulated amortization			
Balance at January 1, 2018	($ 464)	($ 8,171)	($ 8,635)
Amortization expenses	(182)	(2,462)	(2,644)
Disposals	-	8,469	8,469
Effect of exchange rate changes	-	(78)	(78)
Balance at December 31, 2018	($ 646)	($ 2,242)	($ 2,888)
Carrying amounts at December 31, 2018	$ 321	$ 2,095	$ 2,416

The intangible assets listed above were amortized on a straight-line basis over the estimated useful life of the related asset as follows:

Patents	5~10 years
Computer software	3~5 years

Amortization expenses summarized by function:

	For the Year Ended December 31	
	2018	2017
Selling expenses	$ 768	$ 467
Administrative expenses	1,876	837
	$ 2,644	$ 1,304

16. Prepayments for leases

	December 31, 2018	December 31, 2017
Current (classified under other current assets-others)	$ 1,389	$ 1,414
Non-current	54,761	57,143
	$ 56,150	$ 58,557

Prepayment for leases was for land use rights in mainland China.

17. Other assets

	December 31, 2018	December 31, 2017
Current		
Other financial assets		
Financial products (Note)	$ -	$ 75,149
Offset Against Business Tax Payable	$ 66,733	$ 40,313
Others	22,847	6,257
	$ 89,580	$ 46,570
Non-current		
Prepayments for property	$ 17,031	$260,751
Long-term prepayment	24,207	42,029
Prepayments for equipment	42,900	29,735
Refundable deposit	3,260	2,260
Other financial assets (Note 31)	-	2,000
	$ 87,398	$336,775

Note: The Group entered into the short-term wealth management product contract with the bank. The product primarily engaged in investment in bonds, funds and other fixed-income short-term investment instruments. According to the contract, the product should not be terminated earlier prior to its maturity date.

18. Borrowings

Short-term borrowings

	December 31, 2018	December 31, 2017
Secured borrowings		
Bank loans (Note 31)	$150,000	$150,000
Unsecured borrowings		
Bank lines of credit	$324,000	$458,000

As of December 31, 2018 and 2017, the interest rates for the secured bank loans were 0.90% and 0.95%, and the loans were secured by a part of the investment in debt instruments held by the Group. Refer to Note 31.

As of December 31, 2018 and 2017, the interest rates on the unsecured bank loans was 0.90% and 0.95% per annum, respectively

19. Other liabilities

	December 31, 2018	December 31, 2017
Current		
Other payables		
Accrued payroll and bonuses (including remuneration to employees and directors)	$ 72,055	$ 87,339
Insurance	34,123	34,733
Payable for repairs maintenance	29,946	18,382
Payable for gas and oil expenses	29,453	1,677
Payable for freight	18,218	9,004
Payable for utility fees	15,045	11,542
Payable for professional service fees	4,685	3,155
Payable for royalty	7,576	4,127
Payables for purchase of equipment (Note 26)	705	-
Tax payable	2,075	6,304
Refund liability	1,284	-
Others	53,820	53,943
	$268,985	$230,206

Other liabilities

Advance sales receipts	$ -	$ 20,465
Others	2,121	787
	$ 2,121	$ 21,252

20. Provisions

	December 31, 2018	December 31, 2017
Current		
Warranty (I)	$ 16,219	$ 17,330
Sales returns and allowances (II)	-	1,030
	$ 16,219	$ 18,360

	Warranty
Balance at January 1, 2018	$ 17,330
Additions	11,379
Usage	(13,015)
Effect of exchange rate changes	525
Balance at December 31, 2018	$ 16,219

(I) 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.

(II) The reserve for liability of sales returns and allowances was based on historical experience, management’s judgments and other known reasons for possible returns and allowances in 2017. The provision was recognized as a reduction in operating revenue in the year in which the related goods were sold.

21. Equity

(I) Share capital

Ordinary shares

	December 31, 2018	December 31, 2017
Number of shares authorized (in thousands)	150,000	150,000
Share authorized	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousands)	66,059	66,059
Share issued	$ 660,590	$ 660,590

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

(II) Capital surplus

	December 31, 2018	December 31, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note 1)		
Share premium	$ 1,189,103	$ 1,189,103
Employee share bonus - share premium	9,599	9,599
	$ 1,198,702	$ 1,198,702
May only be used to offset a deficit (Note 2)		
Employee compensation cost - share premium	$ 7,265	$ 7,265

Note 1: Such capital surplus may be used to offset a deficit. Additionally, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock, provided that the transfer shall be no more than a certain percentage of the Company each year.

Note 2: Such capital surplus doesn't have cash inflow and, therefore, may only be used to offset a deficit.

(III) Retained earnings and dividend policy

Under the dividend policy referred to in the Company's Articles of Incorporation, if the Company earns profit at the end of any fiscal year in the periods in which the Company is listed, the profit shall be firstly used to pay taxes and offset accumulated losses, and then 10% of the remaining profit, if any, is set aside as legal reserve, provided that when the legal reserve amounts to the Company's paid-in capital, the same shall not apply. The balance of said remaining profit, if any, shall provide or reserve special reserve pursuant to laws. Then, the remainder, if any, together with accumulated undistributed retained earnings shall be allocated as bonus and dividend to shareholders' subject to the motion for distribution of earnings proposed by the Board of Directors and resolved by a shareholders' meeting. Subject to financial, business and operational factors, the Company may set aside no less than 10% of the allocable earnings for the same year, plus the unappropriated earnings for the previous years resolved by a shareholders' meeting, in whole or in part, to distribute the bonus and dividend to shareholders based on the relevant shareholdings. 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 of Incorporation, please see Note 23(VI) for the remuneration to employees and directors.

Items referred to under Rule No. 1010012865 issued by the FSC and 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 2017 and 2016 were approved in the shareholders' meetings on June 5, 2018 and June 2, 2017, respectively, as follows:

	Appropriation of Earnings		Dividends per share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	$ 49,472	$ 56,980	$ -	$ -
Special reserve	52,462	-	-	-
Cash dividends	396,354	462,413	6.0	7.0

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 8, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends per share (NT$)
Legal reserve	$ 31,044	$ -
Special reserve	27,584	-
Cash dividends	198,177	3.0

The appropriation of earnings for 2018 is subject to the resolution of the shareholders' meeting to be held on June 5, 2019

(IV) Other equity

1. Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2018	2017
Balance at January 1	($ 52,462)	$ 39,738
Recognized for the year		
Exchange differences on translating the financial statements of foreign operation	(208)	(92,200)
Current other comprehensive income	(208)	(92,200)
Balance at December 31	($ 52,670)	($ 52,462)

2. Unrealized gain or loss on available-for-sale financial assets

	2017
Balance at January 1	$ -
Recognized for the year	
Unrealized gain or loss	6,934

Current other comprehensive income	6,934
Balance at December 31	$ 6,934

3. Unrealized gain on financial assets at FVTOCI

	2018
Balance at January 1 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	19,732
Balance at January 1 (IAS 9)	19,732
Recognized for the year	
Unrealized gain or loss－debt instruments	(58,300)
Re-classification and adjustment	
Disposition of debt instruments	11,192
Current other comprehensive income	(47,108)
Balance at December 31	($ 27,376)

22. Revenue

(I) Notes to contracts - revenue from sale of goods

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

(II) Contract balance

	December 31, 2018
Note receivable (including related party) (Notes 11 and 30)	$ 9,428
receivable (including related party) (Notes 11 and 30)	$960,006
Contract liabilities	
Sale of goods	$ 31,588

For the year ended December 31, 2018, the Company recognized NT$20,465 thousand as revenue from the beginning balance of contract liability.

(III) Breakdown of revenue from contracts with customers

For the information about the breakdown, refer to Note 36.

23. Income from continuing operation and other comprehensive income

(I) Other revenue

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 5,745	$ 4,960
Available-for-sale financial assets	-	17,472

	For the Year Ended December 31	
	2018	2017
Other financial assets	-	2,918
Financial assets at FVTPL	2,967	-
Investment of debt instrument at FVTOCI	31,244	-
	39,956	25,350
Government grants	5,364	4,584
	$ 45,320	$ 29,934

(II) Other gains and (losses)

	For the Year Ended December 31	
	2018	2017
Gain (loss) on disposal of financial assets, net		
Investments in debt instruments at FVTOCI	($ 11,192)	$ -
Gain (loss) on financial assets and financial liabilities		
Financial assets/liabilities		
Mandatorily measured at FVTPL	120	-
Financial liabilities held for trading	(4)	661
Gain (loss) on disposition of property, plant and equipment	(91)	1,736
Net gain (loss) on foreign exchange	22,382	(68,564)
Others	5,123	12,167
	$ 16,338	($ 54,000)

(III) Financial cost

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 5,134	$ 2,468

(IV) Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation expenses summarized by function:		
Operating cost	$ 77,598	$ 57,478
Operating expenses	27,331	16,655
	$ 104,929	$ 74,133
Amortization expenses summarized by function:		
Operating expenses	$ 2,644	$ 1,304

(V) Employee benefit expenses

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plan	$ 19,900	$ 17,205
Other employee benefits	368,363	379,607

	For the Year Ended December 31	
	2018	2017
	$388,263	$396,812

Summarized by function:		
Operating cost	$243,306	$257,110
Operating expenses	144,957	139,702
	$388,263	$396,812

(VI) Remuneration to employees and directors

The Company distributes 1%~6% and no more than 5% from the income before tax before deduction of the current remuneration to employees and directors as the remuneration to employees and directors for the year, respectively. The following estimated remuneration to employees and directors for 2018 and 2017 was resolved by the directors' meetings on March 8, 2019 and March 12, 2018:

% of Estimation

	For the Year Ended December 31	
	2018	2017
Remuneration to employees	5.26%	4.70%
Remuneration to directors	4.38%	3.94%

Amount

	For the Year Ended December 31	
	2018	2017
Remuneration to employees	$ 18,319	$ 26,569
Remuneration to directors	15,267	22,283

If there is a change in the proposed amounts after the date for ratification and publication of the annual consolidated financial statements, the differences are accounted for as the changes of accounting estimates in the following year.

The Company's distribution of earnings as the remuneration to employees and directors for 2017 and 2016 did not differ from the distribution recognized in the consolidated financial statements 2017 and 2016.

Information on employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(VII) Gain (loss) on foreign exchange

	For the Year Ended December 31	
	2018	2017
Gross gains on foreign exchange	$103,214	$ 31,732
Gross (loss) on foreign exchange	(80,832)	(100,296)
Net gain (loss)	$ 22,382	($ 68,564)

24. **Income tax related to continuing operations**

(I) Income tax recognized in profit or loss

Income tax expenses consist of the following:

	For the Year Ended December 31	
	2018	2017
Current income tax		
In respect of the current year	$ 71,063	$ 95,843
Additional income tax on unappropriated earnings	1,100	460
Adjustments for prior years	(6,101)	(7,556)
	66,062	88,747
Deferred income tax		
Effect of tax rate changes	(648)	-
In respect of the current year	(61,147)	(66,864)
	(61,795)	(66,864)
Income tax expense recognized in profit or loss	$ 4,267	$ 21,883

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

	For the Year Ended December 31	
	2018	2017
Income from continuing operations before income tax	$ 314,703	$ 516,600
Income tax expense at the statutory rate	$ 62,138	$ 95,416
Non-deductible expense items	8,244	3,409
Deferred income tax effects on subsidiaries' earnings	(62,241)	(70,970)
Additional income tax on unappropriated earnings	1,100	460
Unrecognized deductible temporary difference	1,775	1,124
Current income tax expenses for prior years adjusted in the current year	(6,101)	(7,556)
Effect of tax rate changes	(648)	-
Income tax expenses recognized in profit or loss	$ 4,267	$ 21,883

In 2017, the Company applied a tax rate of 17% for all of it entities which may apply the R.O.C. Income Tax Act. In February 2018, the R.O.C. Income Tax Act was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. Meanwhile, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%, and 25% in the case of subsidiaries in the territories of China. The income tax incurred in any other jurisdictions shall be calculated at the tax rates applicable to the jurisdictions.

Dongguan Mei Jer Plastic Products Co., Ltd. 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 2018. 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%.

Considering that the distribution of earnings 2019 is still pending resolution by the shareholders' meeting, now it is still impossible to reliably determine the potential income tax consequence to be caused by the unappropriated earnings levied with additional 5% income tax on the entities in the territories of Taiwan in 2018.

(II) Current income tax liabilities

	December 31, 2018	December 31, 2017
Payable income tax	$ 18,363	$ 30,205

(III) Deferred income tax assets and liabilities

Changes of the deferred tax assets and liabilities are stated as following:

2018

	Opening balance	Recognized in profit or loss	Exchange difference	Closing balance
Deferred income tax assets				
Temporary difference				
Allowance for loss	$ 107	$ 39	$ -	$ 146
Inventory obsolescence and valuation loss	257	45	-	302
Unrealized gain or loss on exchange	147	(59)	-	88
Reserve for liability-warranty	2,948	199	98	3,245
Refund liability	173	75	7	255
	$ 3,632	$ 299	$ 105	$ 4,036
Deferred income tax liabilities				
Temporary difference				
Unrealized gain or loss on exchange	$ -	$ 745	$ 14	$ 759
Investment income	107,297	(62,241)	-	45,056
Others	8,845	-	(154)	8,691
	$ 116,142	($ 61,496)	($ 140)	$ 54,506

2017

Deferred income tax assets	Opening balance	Recognized in profit or loss	Exchange difference	Closing balance
Temporary difference				
Allowance for bad debt	$ 137	($ 30)	$ -	$ 107
Inventory obsolescence and valuation loss	257	-	-	257
Unrealized gain or loss on exchange	-	147	-	147
Reserve for liability-warranty	3,666	(447)	(271)	2,948
Reserve for liability - sales returns and allowances	206	(16)	(17)	173
Depreciation and amortization	3,895	(3,774)	(121)	-
	$ 8,161	($ 4,120)	($ 409)	$ 3,632

Deferred income tax liabilities	Opening balance	Recognized in profit or loss	Exchange difference	Closing balance
Temporary difference				
Unrealized gain or loss on exchange	$ 14	($ 14)	$ -	$ -
Investment income	178,267	(70,970)	-	107,297
Others	9,028	-	(183)	8,845
	$ 187,309	($ 70,984)	($ 183)	$ 116,142

(IV) The deductible temporary differences for which no deferred income tax assets have been recognized in the consolidated balance sheets

	December 31, 2018	December 31, 2017
Inventory obsolescence and valuation loss	$ 25,625	$ 20,916

(V) Authorization of income tax

By December 31, 2018, no pending tax legal actions has involved the Company.

The tax collection authorities have authorized the income tax returns by M.J.(Taiwan) and OPULENT Taiwan branch, the Company’s subsidiaries, until 2016.

25. EPS

Unit: NT$ per share

	2018	2017
Basic earnings per share	$ 4.70	$ 7.49
Diluted earnings per share	$ 4.67	$ 7.46

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Operating profit attributable to owners of the company	$310,436	$494,717
Operating profit used to calculate the diluted EPS	$310,436	$494,717

Quantity of shares

Unit: Thousand shares

	For the Year Ended December 31	
	2018	2017
Basic EPS is computed based on the following weighted average number of common shares:	66,059	66,059
Effect of dilutive potential common shares:		
Remuneration to employees	403	300
The diluted EPS is computed based on the following weighted average number of common shares:	66,462	66,359

If the Group offers to settle the compensation or bonuses paid to employees in cash or shares, the Group will assume that the entire amount of the compensation or bonuses to be settled in shares, and the resulting potential shares will be 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 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.

26. cash flows Information

(I) Non-cash transactions

The Group engaged in the following investing activities for non-cash transactions in 2018 and 2017:

By December 31, 2018 and 2017, the Group’s payments for acquisition of property, plant and equipment remaining outstanding were NT$705 thousand and NT$0 thousand, classified under other payables.

(II) Reconciliation of liabilities arising from financing activities

2018

	Balance as of January 1, 2018	Changes of cash flows	Non-cash changes foreign exchange changes	Balance as of December 31, 2018
Short-term borrowings	$ 608,000	($ 147,786)	$ 13,786	$ 474,000

27. Operating lease arrangements

The Group as the lessee

The Group's operating leases are arrangements on rent of cars, plants and business places, et al. for 3~10 years. The Group reserves no preemptive right with respect to the leased plants and business places upon termination of the leases.

The future minimum lease payments for non-cancellable operating lease commitments are stated as following:

	December 31, 2018	December 31, 2017
No more than one year	$ 4,375	$ 6,173
1 to 5 years	6,654	11,102
	$ 11,029	$ 17,275

28. Capita management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group maintained the same strategies in 2018 as a whole.

The Group's capital structure consists of the Group's net debts (namely the borrowings less cash and cash equivalents) and equity (namely the capital stock, capital surplus, retained earnings and other equity).

The Group doesn't need to comply with any external requirements about capital.

The Group's key management review the capital structure periodically. The review includes the consideration of costs of capital and related risk. Based on the suggestion by the management, the Company may proceed to balance its entire capital structure by payment of stock dividends and issuance of new shares, *et al.*

29. Financial Instruments

(I) Information about fair value - Non-financial instruments at fair value through profit or loss

The Group considers that the carrying amounts of non-financial assets/liabilities at fair value through profit or loss approximate their fair values.

(II) Information about fair value - financial instruments at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL				
Derivatives - forward foreign exchange contract	$ -	$ 646	$ -	$ 646
Non-financial derivatives held for trading - fund beneficiary certificate	74,182	-	-	74,182
	$ 74,182	$ 646	$ -	$ 74,828
Available-for-sale financial assets				
Investment in foreign debt instruments	$ -	$ 692,603	$ -	$ 692,603

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 2018 and 2017.

2. Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

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

(III) Types of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
At fair value through profit or loss		
Held for trading	$ -	$ 74,828
Mandatorily at fair value through profit or loss	58,469	-
Loans and receivables (Note 1)	-	1,683,059
Available-for-sale financial assets	-	692,603

Financial assets measured at amortized cost (Note 2)	1,652,286	-
Financial assets at fair value through other comprehensive income		
Investment in debt instruments	455,795	-
<u>Financial liabilities</u>		
At fair value through profit or loss		
Held for trading	4	-
At amortized cost (Note 3)	1,100,227	1,036,470

Note 1: The balances include such loans and receivables measured at amortized cost as cash and cash equivalents, notes receivable notes (including related parties), trade receivables (including related parties), other receivables (exclusive of receivable income tax refund), other financial assets and refundable deposits, *et al.*

Note 2: The balances include such financial assets measured at amortized cost as cash and cash equivalents, notes receivable (including related parties), trade receivables (including related parties), other receivables (exclusive of receivable income tax refund), and refundable deposits, *et al.*

Note 3: The balances include such financial liabilities measured at amortized cost as short-term borrowings, payable accounts and other payables (exclusive of payable salary and bonus, payable accrued tax, payable pension and insurance premium).

(IV) Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, investment in debt instruments, structured deposits, derivatives-forward foreign exchange contract, notes receivable (including related parties), trade receivables (including related parties), other financial assets, refundable deposits, payables and short-term borrowings.

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 Company's operating activities expose the Company to the major financial risks including risk of foreign exchange rate changes (see (1) below), risk of interest rate changes (see (2) below) and risk of other price (see (3) below.

(1) Foreign exchange rate 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.

For the carrying amount of non-functional currency-denominated monetary assets and liabilities (including the non-functional currency-denominated monetary items already written off in the consolidated financial statements), please see Note 34. For the carrying amount of derivatives exposed to the foreign interest rate risk, please see Note 7.

Sensitivity analysis

The Group is primarily exposed to the fluctuation in foreign exchange rate in USD and NTD.

The following table details the Group's sensitivity analysis in the case of the increase or decrease in various consolidated entities' functional currency against the relevant foreign currency by 1%. 1% means the sensitivity ratio applied by the Company when it reports the foreign exchange rate risk to its management within the Group, and also the management's evaluation on reasonable changes of the foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items, and their translation at the end of the reporting period is adjusted for a 1% change in exchange rates. A positive number indicated in the following table indicates an increase in income before tax and equity associated with each consolidated entity's functional currency depreciation by 1% against the related foreign currency, while it would be the same but negative number reflecting the effect on the income before tax and equity associated with each consolidated entity's functional currency appreciation by 1%.

	Impact on USD		Impact on NTD	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Income	$ 1,681	$ 4,925	($ 4,797)	($ 6,348)

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

The Group's sensitivity to USD exchange rates declines this year primarily as a result of the decrease in the foreign exchange rate risk resulting from the increase in the forward foreign exchange contracts held by the Company this year. The Company's sensitivity to NTD exchange rates decreases primarily as a result of the decrease in the borrowings denominated in NTD.

(2) Interest rate risk

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

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates on the balance sheet date are stated as following:

	December 31, 2018	December 31, 2017
Fair value interest rate risk		
- Financial assets	$ 683,496	$ 904,595
- Financial liabilities	474,000	608,000
Cash flow interest rate risk		
- Financial assets		
	491,104	402,972

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments on the balance sheet date. For floating rate liabilities, the analysis is prepared under the assumption that the amounts of the liabilities outstanding on the balance sheet date are outstanding during the reporting period. 1% means the interest rate change ratio applied by the Company when it reports interest rates to its management, and also the management's evaluation on reasonable changes of the interest rate.

If the annual interest rate increases/decreases by 1% and all other variables remain the same, the Company's income before tax would increase/decrease by NT$4,911 thousand and NT$4,030 thousand in 2018 and 2017, primarily as a result of the Company's exposure to the risk of interest rate changes on its bank deposits, structured deposits and investment in debt instruments at the floating interest rate.

The Company's sensitivity to interest rates increases this year primarily as a result of the increase in variable-rate financial assets.

(3) Other price risk

The Company is exposed to the price risk as a result of the investment in funds and bonds.

Sensitivity analysis

The sensitivity analysis below is made based on the exposure to the price risk of funds and bonds on the balance sheet date.

If the beneficiary certificate-fund price increases/decreases by 1%, the income before tax in 2017 would increase/decrease by NT$742 thousand as a result of the changes in the financial assets at fair value through profit or loss.

If the bond price increases/decreases by 1%, the other comprehensive income before tax in 2018 and 2017 would increase/decrease by NT$4,558 thousand and NT$6,926 thousand as a result of the changes in fair value.

The Company's sensitivity to price decreases this year primarily as a result of the decrease in the investment in the debt instruments it held.

2. Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets

According to the Company's policy, the Company 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 Company 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 Company'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 Company 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 Company's management believes that the Company'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, 2018 and 2017, the total trade receivables from said customers have accounted for 83% and 88% 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. For the financing facilities that have not yet been drawn down by the Group until December 31, 2018 and 2017, please refer (3) notes to financing facilities below.

(1) Statement of liquidity and interest risk rate of non-derivative financial liabilities

The analysis on the remaining contractual maturity for the non-derivative financial liabilities is prepared based on the undiscounted cash flows of financial liabilities (including the principal and estimated interest thereon) from the earliest date on which the Group can be required to pay. Therefore, the bank borrowings required to be repaid by the Group immediately are included in the earliest time band in the following table, regardless of the probability for the banks to choose exercise of their rights immediately. Notwithstanding, the analysis on the maturity dates for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

December 31, 2018

	1 to 3 months	3 months to1 year	1 to 5 years
Non-derivative financial liabilities			
Variable interest rate borrowings	$ 624,818	$ 1,409	$ -
Fixed interest rate borrowings	474,511	-	-
	$ 1,099,329	$ 1,409	$ -

December 31, 2017

	1 to 3 months	3 months to1 year	1 to 5 years
Non-derivative financial liabilities			
Variable interest rate borrowings	$ 428,470	$ -	$ -
Fixed interest rate borrowings	608,583	-	-
	$ 1,037,053	$ -	$ -

(2) Liquidity tables for derivative financial liabilities

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

December 31, 2018

	1 to 3 months	3 months to1 year	1 to 5 years
gross Settle			
Forward exchange foreign contracts			
-inflows	$ 30,715	$ -	$ -
-outflows	(30,719)	-	-
	($ 4)	$ -	$ -

(3) Financing facilities

	December 31, 2018	December 31, 2017
Unsecured bank overdraft facility		
- Amount drawn down	$ 324,000	$458,000
- Amount not drawn down	677,309	65,776
	$ 1,001,309	$523,776
Secured bank overdraft facilities		
- Amount drawn down	$ 150,000	$150,000
- Amount not drawn down	138,721	486,864
	$ 288,721	$636,864

30. Transactions with related parties

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

:

(I) Names and relationships of related parties

Related Party Name	Related Party Category
Sing Cheng Lin Co., Ltd. (“Sing Cheng”)	Substantial related party
Fu Ming Corporate (“Fu Ming”)	Substantial related party
G.T Floor Co., LTD. (“G.T Floor”)	Substantial related party

(II) Operating revenue

Stated items	Type of related party	For the Year Ended December 31 2018	2017
Sales	Substantial related party	$ 173,843	$ 143,474

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

(III) Receivables from related parties (exclusive of loans to related parties)

Stated items	Type of related party	December 31, 2018	December 31, 2017
Notes receivable	Substantial related party		
	Sing Cheng	$ 425	$ 14,433
	Fu Ming	-	3,001
		$ 425	$ 17,434
Trade receivables	Substantial related party		
	Sing Cheng	$ 18,239	$ 12,330
	G.T Floor	18,136	13,329
	Fu Ming	761	396
		$ 37,136	$ 26,055

The outstanding receivables from related parties were unsecured. No allowance for loss/bad debt was provided for the receivables from related parties in 2018 and 2017.

(IV) Compensation to key management personnel

	2018	2017
Short-term employee benefits	$ 42,213	$ 51,068
Post-employment benefits	468	333
	$ 42,681	$ 51,401

The compensation to directors and other key management personnel were determined by the Remuneration Committee in accordance with the individual performance and the market trends.

31. Assets pledged as collateral or for security

The following assets were provided as collateral for borrowings from banks:

	December 31, 2018	December 31, 2017
Available-for-sale financial assets	$ -	$276,419
At fair value through other comprehensive income		
Financial assets	264,497	-
Other financial assets		
Bank deposits - time deposits	-	2,000
	$264,497	$278,419

32. Major contingent liabilities and unrecognized contract commitments

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

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	$144,480	$ 14,432

33. Significant Subsequent Events

The following motions were resolved and passed by the Company's Board of Directors on March 8, 2019:

(I) The Company plans to acquire 60% of the shares issued by Green Touch Floors Inc., a Canada-based company, via its offshore investee, FULLHOUSE INVESTMENTS LIMITED. The total trading amount would be US$1,726,159.

(II) In order to cover the capital need by FULLHOUSE INVESTMENTS LIMITED (hereinafter referred to as "Fullhouse Investments") to acquire the shares of Green Touch Floors Inc., a Canada-based company, the Company plans to increase the investment in Fullhouse Investments by US$1.75 million.

34. Information about foreign exchange rate of financial assets and liabilities denominated in foreign currencies

The Group entities significant financial assets and liability denominated in foreign currencies aggregated by the foreign currencies other than the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

(All Currencies in Thousands)

	Foreign Currencies	Foreign exchange rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,740	30.715 (USD:NTD)	$ 114,866
USD	14,188	6.8632(USD:RMB)	435,794
Non-monetary items			
Derivatives			
RMB	58,988	Note	2,527
Financial liabilities			
Monetary items			
USD	521	30.715 (USD:NTD)	15,988
USD	2,433	6.8632(USD:RMB)	74,735
NTD	479,675	0.0326(NTD:USD)	479,675
Non-monetary items			
Derivatives			
RMB	6,870	Note	4

December 31, 2017

	Foreign currencies	Foreign exchange rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,016	29.7600 (USD:NTD)	$ 238,548
USD	15,290	6.5342 (USD:RMB)	455,042
Non-monetary items			
Derivatives			
RMB	30,000	Note	646
Financial liabilities			
Monetary items			
USD	2,184	6.5342 (USD:RMB)	64,987
NTD	634,782	0.0336 (NTD:USD)	634,782

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

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

The Company's gains or losses on foreign exchange were NT$22,382 thousand and (NT$68,564) thousand in 2018 and 2017. In consideration of the multiple foreign currency transactions or the multiple functional currencies adopted by the Group's entities, it is impossible to disclose the gains or losses on exchange by various significant foreign currencies.

35. Disclosures of Notes

(a) a. Information about significant transactions and investees:

1. Financing provided to others (Table 1)
2. Endorsements/guarantees provided for others. (Table 2)
3. Marketable securities held (exclusive of investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Marketable securities acquired and disposed of at cost or prices of at least $300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital. (None)
7. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital. (Table 4)
8. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 5)
9. Trading in derivative instruments. (Table 7)

10. Intercompany relationships and significant intercompany transactions. (Table 6)
11. Information on investees. (Table 7)

(b) Information Related to Investment 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 investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
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 8)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of the resultant gains or losses.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   (5) The highest balance, balance at the end of period, interest rate range, and total current period interest with respect to financing of funds.
   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or acceptance of services.

36. Segments information

(I) Financial information by department

The key operating policy makers identify the units engaged in production and sale of LVT floors in various districts as individual operating departments. Notwithstanding, when preparing the financial statements, the Group takes the following factors into consideration and summarizes said operating departments as the only one operating department. Therefore, no information by operating department is available.

1. Products similar in nature and process;
2. Similar product pricing strategies;
3. Delivery of the products to customers in similar manners.

(II) Revenue from major products: The revenue from main products earned by the Group’s continuing operations is analyzed as following:

	2018	2017
LVT floors	$ 2,979,348	$ 3,684,253

(III) Geographic information:

The Group operate in three principal geographical areas – Taiwan and Mainland China.

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

	Revenue from external customers	
	For the Year Ended December 31	
	2018	2017
Europe	$ 1,492,620	$ 2,149,708
North America	649,099	740,992
Mainland China	336,820	226,817
Taiwan	213,548	186,557
Others	287,261	380,179
	$ 2,979,348	$ 3,684,253

	Non-current assets	
	December 31, 2018	December 31, 2017
Mainland China and Hong Kong	$ 1,111,757	$ 1,111,273
Taiwan	18,889	18,998
	$ 1,130,646	$ 1,130,271

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

(IV) Information related to major customers:

Any single major customer representing at least 10% of the Company's total revenue:

	2018	2017
P Group	$ 1,656,428	$ 2,344,183

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

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table1

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial statement account	Related party	Maximum balance for the period (Note 6)	Ending balance (Note 6)	Amount actually drawn (Notes 4 and 6)	Interest rate %	Nature for financing	Transaction amount	Reason for financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limits (Note 2)
													Item	Value		
0	M. J. International Co., Ltd	Opulent International Group Limit	Other receivable - related party	Yes	$ 184,290 (USD 6,000)	$ 184,290 (USD 6,000)	$ -	2%	Short-term financing	$	Operating capital	$	-	-	$ 974,844	$ 974,844
1	Prolong Dongguan	M.J. Shanghai	Other receivable - related party	Yes	156,636 (RMB 35,000)	35,802 (RMB 8,000)	17,901 (RMB 4,000)	3.5%	Short-term financing		Operating capital		-	-	327,948	974,844
		M.J. Beijing	Other receivable - related party	Yes	17,901 (RMB 4,000)	17,901 (RMB 4,000)	$12,531 (RMB 2,800)	3.5%	Short-term financing		Operating capital		-	-	327,948	974,844
2	M.J. Dongguan	M.J. Shanghai	Other receivable - related party	Yes	107,407 (RMB 24,000)	107,407 (RMB 24,000)	107,407 (RMB 24,000)	3.5%	Short-term financing		Operating capital		-	-	633,741	974,844
3	M.J. Guangzhou	M.J. Shanghai	Other receivable - related party	Yes	44,753 (RMB 10,000)	44,753 (RMB 10,000)	44,753 (RMB 10,000)	3.5%	Short-term financing		Operating capital		-	-	49,745	974,844

Note 1: Notes:

(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 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.

Note 3: (1) 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.

(2) 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 4: Intercompany balances and transactions were eliminated upon consolidation..

Note 5: The interest income of Prolong Dongguan was NT$2,248 thousand, and NT$2,306 thousand for M.J. Dongguan, and NT$961 thousand for M.J. Dongguan.

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

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

ENDORSEMENTS AND GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 2

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Endorsement/guarantee provider	Endorsed/guaranteed party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Balance for the Period (Notes 5 and 6)	Ending balance (Notes 5 and 6)	Amount actually drawn down (Notes 4 and 5)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee provided by parent company to subsidiaries endorsement/guarantee	provided by subsidiaries to parent company endorsement/guarantee	Guarantee Provided to Subsidiaries in Mainland China
		Name	Relationship (Note 2)										
0	M. J. International Co., Ltd.	OPULENT	(2)	$ 3,655,665	$ 2,036,828	$ 1,821,823	$ 474,000	N/A	75%	$7,311,330	Yes	No	No
1	Prolong HK	OPULENT	(4)	3,655,665	90,000	-	-	N/A	-	7,311,330	No	No	No

Notes:

(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.

(7) Where the Company and other companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: (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: Already consolidated and written off when the consolidated financial statements were prepared.

Note 5: The maximum (ending) endorsement/guarantee balance and amount actually drawn down were translated based on the foreign exchange rate on the balance sheet date.

Note 6: Including mutual endorsement/guarantee.

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

Table 3

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding company name	Marketable Securities Type and name	Relationship with the holding company (Note 2)	Financial Statement Account	December 31, 2018				Note
				Quantity of shares	Carrying Amount (Note 3)	Shareholding	Fair value	
OPULENT INTERNATIONAL GROUP LIMITED	Banco Santander S.A. 5.179% 11/19/2025 DTD 11/19/2015	—	Financial assets at fair value through other comprehensive income – current	-	$ 30,565	-	$ 30,565	Pledged borrowings
	Citigroup Inc. (Note 1) 4.45% 09/29/2027 DTD 09/29/2015	—	〃	-	23,732	-	23,732	Note 4
	Huarong Finance II Co., LTD. 5.5% 01/16/2025 DTD 01/16/2015	—	〃	-	30,740	-	30,740	Pledged borrowings
	Credit Agricole S.A. London Branch 4.125% 01/10/2027 DTD 01/10/2017	—	〃	-	29,573	-	29,573	Pledged borrowings
	SocieteGenerale S.A. 4% 01/12/2027 DTD 01/12/2017	—	〃	-	29,251	-	29,251	Pledged borrowings
	PetroleosMexicanos 4.5% 01/23/2026 DTD 03/22/2016	—	〃	-	26,604	-	26,604	Pledged borrowings
	Huarong Finance II Co., LTD. 3.625% 11/22/2021 DTD 11/22/2016	—	〃	-	60,070	-	60,070	Pledged borrowings
	ESKOM Holdings SOC Limited 6.750% 08/06/2023 DTD 08/06/2013	—	〃	-	14,064	-	14,064	Note 4
	Turkiye IS Bankasi A.S. 5.5% 04/21/2022 DTD 10/21/2016	—	〃	-	13,848	-	13,848	〃
	BanqueOusetAfricaine de Developpement 5.0% 07/27/2027 DTD 07/27/2017	—	〃	-	28,994	-	28,994	Pledged borrowings
	Republic Of South Africa 4.85% 09/27/2027 DTD 09/27/2017	—	〃	-	28,700	-	28,700	Pledged borrowings
	ESKOM Holdings SOC LTD 5.75% 01/26/2021 DTD 01/26/2011	—	〃	-	29,051	-	29,051	Note 4
	Barminco Finance PTY Limited 6.625% 5/15/2022 DTD 5/15/2017	—	〃	-	5,987	-	5,987	〃
	Golden Legacy Pte. Ltd. 6.875% 3/27/2024 DTD 3/27/2017	—	〃	-	5,752	-	5,752	〃

(To be continued)

(Brought forward)

Holding company name	Marketable Securities Type and name	Relationship with the holding company (Note 2)	Financial Statement Account	December 31, 2018				Note
				Quantity of shares	Carrying Amount (Note 3)	Shareholding	Fair value	
	Indika Energy Capital III Pte-Anleihe 5.875% 11/9/2024 DTD 11/9/2017	—	Financial assets at fair value through other comprehensive income – current	-	$ 5,377	-	$ 5,377	Note 4
	Yestar Healthcare Holdings Company Limited 6.90% 9/15/2021 DTD 9/15/2016	—	〃	-	5,064	-	5,064	〃
	Golden Wheel Tiandi Holdings Company Limited 8.250% 11/3/2019 DTD 11/3/2016	—	〃	-	5,990	-	5,990	〃
	Prime Bloom Holdings Limited 7.5% 12/19/2019 DTD 12/19/2016	—	〃	-	5,767	-	5,767	〃
	Yuzhou Properties Company Limited 6.00% 1/25/2022 DTD 1/25/2017	—	〃	-	5,688	-	5,688	〃
	China Evergrande Group 8.750% 6/28/2025 DTD 6/28/2017	—	〃	-	5,194	-	5,194	〃
	Zhongrong International Resources Co., Ltd 7.250% 10/26/2020 DTD 10/26/2017	—	〃	-	3,503	-	3,503	〃
	Jiuding Group Finance 6.5% 7/25/2020 DTD 7/25/2017	—	〃	-	4,239	-	4,239	〃
	Yango Justice International Limited 7.500% 11/16/2020 DTD 11/16/2017	—	〃	-	5,351	-	5,351	〃
	Wuhan Dangdai Science & Technology Industries Group, 7.25% 11/20/2020 DTD 11/20/2017	—	〃	-	5,465	-	5,465	〃
	Times Property Holdings Limited 6.600% 3/2/2023 DTD 11/30/2017	—	〃	-	5,400	-	5,400	〃
	Tianfang Jincheng BVI Limited 5.5% 1/24/2019 DTD 1/25/2018	—	〃	-	9,214	-	9,214	〃
	Logan Property Holdings Company Limited 6.375%03/07/2021 DTD 03/07/2018		〃	-	6,000	-	6,000	〃
					$ 429,183		$ 429,183	

(To be continued)

(Brought forward)

Holding company name	Marketable Securities Type and name	Relationship with the holding company (Note 2)	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair value	
	Softbank Group Corp 6.875% Perpetual DTD 7/19/2017	—	Financial assets at fair value through other comprehensive income - non-current	-	$ 4,956	-	$ 4,956	Note 4
	RKP Overseas Finance 2016 (A) Limited 7.95% Perpetual DTD 2/17/2017	—	〃	-	4,705	-	4,705	〃
	China Grand Automotive Services 5.625% Perpetual DTD 10/30/2017	—	〃	-	5,167	-	5,167	〃
	HSBC Holdings PLC, 6% Perpetual DTD 5/22/2017	—	〃	-	5,626	-	5,626	〃
	Standard Chartered PLC 7.5% Perpetual DTD 8/18/2016	—	〃	-	6,158	-	6,158	〃
					$ 26,612	-	$ 26,612	
Dongguan Pulong Plastic Products Co., Ltd.	China Construction Bank Company Limited, QianYuan-TianTianYing 30-day Open-end RMB Financial Investment Product	—	Financial assets at fair value through profit or loss - current		$ 22,377	-	$ 22,377	〃
Guangzhou Pu Li Hua Mei Jer Construction and Decoration Materials Co., Ltd.	ICBC Corporate Banking RMB Wealth Management Product 2018, 212nd Term (Guangdong) (127 days)	—	〃		33,565	-	33,565	〃
					$ 55,942	-	$ 55,942	

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.

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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 4

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payables)		Note
			Purchase/(sale)	Amount (Note 1)	% to total purchase (sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 1)	% to Total (Note 2)	
OPULENT	M.J. International Flooring And Interior Products Inc.	Associate	(Sale)	($ 153,762)	(5%)	120 days after monthly closing days	-	-	$ 14,592	1%	
	M.J. Dongguan	Associate	(Sale)	(334,740)	(11%)	120 days after monthly closing days	-	-	58,613	6%	
	M.J. Dongguan	Associate	Purchase	1,314,417	47%	120 days after monthly closing days	-	-	(185,944)	(36%)	
	Prolong Dongguan	Associate	(Sale)	(257,770)	(8%)	120 days after monthly closing days	-	-	16,122	2%	
	Prolong Dongguan	Associate	Purchase	916,106	32%	120 days after monthly closing days	-	-	(249,846)	(48%)	
M.J. Dongguan	OPULENT	Associate	(Sale)	(1,314,417)	(83%)	120 days after monthly closing days	-	-	185,944	76%	
	OPULENT	Associate	Purchase	334,740	34%	120 days after monthly closing days	-	-	(58,613)	(20%)	
Prolong Dongguan	OPULENT	Associate	(Sale)	(916,106)	(98%)	120 days after monthly closing days	-	-	249,846	99%	
	OPULENT	Associate	Purchase	257,770	40%	120 days after monthly closing days	-	-	(16,122)	(10%)	
M. J. Taiwan	OPULENT	Associate	Purchase	153,762	100%	120 days after monthly closing days	-	-	(14,592)	(100%)	

Note 1: Already consolidated and written off when the consolidated financial statements were prepared.

Note 2: Computed based on the amount or balance of the transactions with each seller and purchaser.

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, 2018

Table 5

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Bad Debts
					Amount	Action taken		
M.J. Dongguan	OPULENT	Associate	Trade receivables $ 185,944	6.19	$ -	—	$ 185,944	$ -
M.J. Dongguan	M.J. Shanghai	Associate	Other receivables 108,034 (Note 3)	-	-	—	-	-
Prolong Dongguan	OPULENT	Associate	Trade receivables 249,846	3.93	-	—	155,162	-

Note 1: Already consolidated and written off when the consolidated financial statements were prepared.

Note 2: The amount received in the subsequent period means that the collection was made by March8, 2019.

Note 3: The amount bears receivable interest.

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 6 (Amounts in thousands of New Taiwan dollars and foreign currencies)

No. (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transactions Details			
				Financial Statements Account	Amount (Notes 4 and 5)	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	M. J. International Co., Ltd	OPULENT	(1)	endorsement/guarantee	$ 1,821,823	—	48%
1	OPULENT	M.J. Dongguan.	(3)	Sales	334,740	the selling price based on the cost	11%
		M.J. Dongguan	(3)	Trade receivables	58,613	120 days after monthly closing days	2%
		Prolong Dongguan	(3)	Sales	257,770	the selling price based on the cost	9%
		Prolong Dongguan	(3)	Trade receivables	16,122	120 days after monthly closing days	-
		M. J. Taiwan	(3)	Sales	153,762	the selling price based on the cost	(5)
		M. J. Taiwan	(3)	Trade receivables	14,592	120 days after monthly closing days	-
2	M.J. Dongguan	OPULENT	(3)	Sales	1,314,417	the selling price by price negotiation	44%
		OPULENT	(3)	Trade receivables	185,944	120 days after monthly closing days	(5)
		M.J. Shanghai	(3)	Other receivables	108,034	Financing (including interest receivable)	3%
3	Prolong Dongguan	OPULENT	(3)	Sales	916,106	OA 120 days after the sale by price negotiation	31%
		OPULENT	(3)	Trade receivables	249,846	—	7%
		M.J. Shanghai.	(3)	Other receivables	17,993	Financing (including interest receivable)	-
		M.J. Beijing	(3)	Other receivables	12,567	Financing (including interest receivable)	-
		M.J. Shenyang	(3)	Investments Accounted for Using Equity Method	21,034 (RMB 4,700)	—	1%
4	M.J. Guangzhou	M.J. Shanghai	(3)	Other receivables	45,014	Financing (including interest receivable)	1%

The business relationship between the parent and the subsidiaries:

M. J. International Co., Ltd and Prolong HK 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, and M.J. Wuhan , M.J. Shenyang are primarily engaged in sale of construction and decoration 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: If it is denominated in foreign currency, translated based on the foreign exchange rate on the balance sheet date.

Note 5: Already consolidated and written off when the consolidated financial statements were prepared.

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

Information about investees' names and territories, et al. (exclusive of the investees in mainland China)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 7

(Thousand shares and NT$ thousand)

Investor	Investee	Territory	Main Business and Product	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Amount			
M. J. International Co., Ltd.	Prolong HK	Hong Kong	Investment holding	NTD 290,564 (USD 9,460)	NTD 281,530 (USD 9,460)	-	100	NTD 1,603,518	NTD 61,469	NTD 61,469	Notes 1, 2 and 4
	OPULENT INTERNATIONAL GROUP LIMITED	Hong Kong	International trading	NTD 267,221 (USD 8,700)	NTD 258,912 (USD 8,700)	8,700	100	NTD 725,105	NTD 181,768	NTD 181,768	Notes 1, 2 and 4
	M.J. International Flooring And Interior Products Inc.	Taiwan	Sale and processing of plastic tiles, decoration materials and construction materials.	NTD 38,000	NTD 38,000	5	100	NTD 137,723	NTD 12,656	NTD 12,656	Notes 1 and 2
	FULLHOUSE INVESTMENTS LIMITED	Samoa	Investment holding	- (Note 5)	-	-	-	-	-	-	-

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

Note 2: Already consolidated and written off when the consolidated financial statements were prepared.

Note 3: For the information about the investees in mainland China, please see Schedule 8 hereto.

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

Note 5: FULLHOUSE INVESTMENTS LIMITED was founded and registered on November 2, 2018, which has not yet contributed any capital by December 31, 2018.

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

Information Related to Investments in Mainland China

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 8

Unit: NTD Thousand/foreign currency thousand

Investee Company	Main Business and Product	Total Amount of Paid-in Capital (Note 6)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Percentage of Ownership %	Net Income (Losses) of the Investee Company	Investment Income (Loss) Recognized (Note 2(II)2)	Carrying Amount as of December 31, 2018 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
M.J. Dongguan	Production and sale of tiles, decoration materials and construction materials, and investment holding.	$ 834,544 (USD 27,171)	(II) (1)	$ -	$	$	$ -	100	$ 47,034	$ 46,320	$ 1,054,442	$ -
Prolong Dongguan	Production and sale of tiles, decoration materials and construction materials, and investment holding.	307,948 (HKD 78,538)	(II) (1)	-			-	100	15,601	15,183	545,701	-
M.J. Chongqing	Sale of plastic tiles, decoration materials and construction materials.	35,802 (RMB 8,000)	(2) (1)	-			-	100	121	121	17,244	-
M.J. Beijing	Sale of plastic tiles, decoration materials and construction materials.	40,278 (RMB 9,000)	(2) (1)	-			-	100	(3,127)	(3,127)	9,926	-
M.J. Shanghai.	Sale of plastic tiles, decoration materials and construction materials.	210,339 (RMB 47,000)	(2) (1)	-			-	100	(33,661)	(33,661)	145,709	-
M.J. Guangzhou	Sale of plastic tiles, decoration materials and construction materials.	67,130 (RMB 15,000)	(2) (1)	-			-	100	7,728	7,728	82,908	-

Investee Company	Main Business and Product	Total Amount of Paid-in Capital (Note 6)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Percentage of Ownership %	Net Income (Losses) of the Investee Company	Investment Income (Loss) Recognized (Note 2(II)2)	Carrying Amount as of December 31, 2018 (Note 5)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Outward						
M.J. Wuhan	Sale of plastic tiles, decoration materials and construction materials.	49,228 (RMB 11,000)	(2) (1)	-	-	-	-	100	(760)	(760)	40,867	-
M.J. Xian	Sale of plastic tiles, decoration materials and construction materials.	22,377 (RMB 5,000)	(2) (1)	-	-	-	-	100	(396)	(396)	21,404	-
M.J. Shenyang.	Sale of plastic tiles, decoration materials and construction materials.	21,034 (RMB 4,700)	(2) (1)	-	-	-	-	100	(375)	(375)	20,665	-

Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Limit on Mainland China Investment Amount As Regulated by Investment Commission of MOEA
(Note 4)	(Note 4)	(Note 4)

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

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

(II) 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).

(III) Other modes.

Note 2: In the recognized current investment income section:

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

(II) 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: Already consolidated and written off when the consolidated financial statements were prepared.

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.

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