



M.J. International Co., Ltd.

2019 Annual Report

Website

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

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

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THIS IS A TRANSLATION OF 2019 ANNUAL REPORT OF M. J. INTERNATIONAL CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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 Box 32052, Grand Cayman KY1-1208, Cayman Islands, British West Indies
 Website: www.mjig.com (same as the following subsidiaries' website)
- (II) Subsidiary in Taiwan
 Name: M.J.International Flooring and Interior Telephone: (886)2-2268-4666
 Products Inc
 Address: No. 126, Da Nuan Rd., Tucheng District, New Taipei City
- (III) Subsidiary in Hong Kong
 Name: Prolong International Co., Limited Telephone: (886)2-2268-4666
 Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
 Name: Opulent International Group Limited Telephone: (886)2-2268-4666
 Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
- (IV) Taiwan Branch of Hong Kong Subsidiary
 Name: Opulent International Group Limited Telephone: (886)2-2268-4666
 Opulent International Group Limited
 Taiwan Branch
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 Name: Chongqing M.J. Architecture & Telephone: (86)023-6361-1600
 Decoration Material Co. Ltd.
 Address: Building 1902, Building B, Longtian Shidai Street, Longhu, Daping,
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 Name: Beijing M.J. Architecture & Decoration Telephone: (86)010-8736-4856
 Materials Co. Ltd.
 Address: Suite 2705, Jun An International Building No. 2, Hua Nan Rd., Beijing
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 Name: Shanghai M.J. Architecture & Decoration Telephone: (86)021-64828022
 Material Co. Ltd.
 Address: 7F, No. 36, Alley 1088, Shen Hong Rd., Ming Xin Dist., Shanghai City
 Name: Guangzhou PROMAX Architecture & Telephone: (86)020-3724-3136
 Decoration Material Co. Ltd.
 Address: No. 411, Main Office Building, No.512, Guangzhou Avenue North, Tianhe Dist.,
 Guangzhou City
 Name: Wuhan M.J. Architecture & Decoration Telephone: (86)027-8784-9788
 Material Co. Ltd.
 Address: No. 1, 36F, Bldg. No. 6 of Bldg. Nos. 6~7 of Wuhan 1818 Center, No. 109,
 Zhongzhen Rd., Wuchang Dist. Wuhan City (2nd Phase)
 Name: Xian M.J. Architecture & Decoration
 Material Co. Ltd. Telephone: (86) 13279352318

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

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

Telephone: (86) 024-25102977

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

(VI) Factory

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

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

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

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

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

Name: CTBC Bank Co., Ltd.

Telephone: (886)2-2311-1838

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

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

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

Firm name: Deloitte Taiwan

Telephone: (886)2-2725-9988

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

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

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

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

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

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

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

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

Designated domestic agent: Chen Pen-Yuan
Job Title: Chairman of Board

Telephone: (886)2-2268-4666
Email: IR@mjig.com

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One. Letter to Shareholders

Dear Shareholders:

In 2019, European clients of the Company had stably increased their inventory levels, which brought a significant increase in the annual shipping performance comparing to last year. In addition, the Company has made efforts to expand its own brand to increase the market share performance. By adopting the strategy of dual business orders, the Company can position itself firmly in the commercial markets and expand its sales in household markets. To distribute the production capabilities and markets, the Company launched the plan for establishing new factory in Tainan in 2019 and aimed to research, develop and produce advanced technologies, cultivate international talents, completely gain the benefits from automatic production and reduce the uncertain risks in international markets, hoping to maintain good long-term business development, create more favorable competition condition. We will outline the 2019 business report and 2020 business plan of the Company below:

I. 2018 Business Report

(I) Overview

The Company's annual consolidated revenue was NT\$3.468 billion in 2019, with a growth of 16.4% comparing to 2018. The Company mainly benefits from brisk international sales, where clients in Europe significantly increased their overall inventory levels in 2019, compared to 2018 and thus increased the proportion of revenue in Europe up to 59.23% in 2019. As for our self-owned brands, the proportion of revenue in China increased slightly from the 11.31% in 2018 to 11.97% in 2019, resulted in the growth in sales up to 23.25%. As a result, the annual consolidated revenue was NT\$3.468 billion in 2019, an increase of 16.4% over 2018.

(II) The business plan implementation results compared with that in 2017:

The revenue referred to in the 2019 consolidated financial statements was NT\$3,468,163 thousand, and the cost of goods sold NT\$2,576,616 thousand, gross profit NT\$891,547 thousand, gross profit margin 25.7%, net income after tax NT\$402,334 thousand, and net income margin 11.6%, compared with those in 2018 as following:

Unit: NTD Thousand

Item	2019	2018	Amount of increase (decrease)	Increase (decrease)
Sales revenue	3,468,163	2,979,348	488,815	16.4%
Cost of goods sold	2,576,616	2,333,872	242,744	10.4%
Gross profit	891,547	645,476	246,071	38.12%
Net income after tax	402,334	310,436	91,898	29.6%

In terms of the sale region performance in 2019, the MJ's sales in Europe is still the major proportion of revenue. European clients increased their inventory levels stably comparing to last year. Under this trend, the proportion of sales in 2019 increased to 59.23%. Chinese market is a fast-growing sales zone for MJ in 2019. Due to overall sales increase, the proportion of sales in China, a region with all our self-owned brands, increased slightly from 11.31% in 2018 to 11.97% in 2019, resulted in the growth in sales up to 23.25%. On the other hand, the proportion of sales in the market of Taiwan, a region with some self-owned brands, slightly decreased from 7.17% in 2018 to 6.13% in 2019 while the market in North America declined from 21.79% in 2018 to 15.15% in 2019 due to customs.

The annual gross margin in 2019 increased 25.7%, compared to 2018. Overall performance and availability as well as the allocation base for production fees increased owing to growth in revenue; beside these increases, the price of major raw materials, PVC, declined. Thus, the gross margin in 2019 increased..

(III) Analysis on profitability

The revenue in 2019 increased NT\$ 488,815 thousand, compared to 2018 while the gross margin increased from 21.67% in 2018 to 25.7% in 2019. For non-operating part, the depreciation of US dollars raised the foreign exchange loss. Also, when counting the deferred tax effect from the earnings of some subsidiaries as well, net income reached NT\$ 402,334 thousand with profit margin of 11.6%, which is an increase comparing to 2018.

(IV) Status of Research&Development

The Company is one of the leading manufacturers engaged in the production of plastic floors in the world. The Company valued both R&D and quality, and its production method may satisfy the customers' diversified needs for exquisite and highly-efficient products. The Company owns more than 20 patents on plastic floors and is used to identifying R&D and quality as the first priority. New products launched in 2019, such as magnetic wall materials and non-flammable high-viscous adhesive wall materials, are quite helpful in developing company business and enhancing profits. The company will continue to launch new products, such as lightweight click lock SPC flooring, this year. By introducing the new products to snatch new markets and develop new customers, the Company's sales are expected to be benefited therefor this year.

II. Outlook

Looking forward to 2020, the Company keeps its optimistic outlook. Beside deepening the sales in commercial markets and actively branching up household markets as its core business, the Company also devoted in the R&D of LVT and SPC products. It seems that SPC flooring is a promising technology with excellent properties, such as high wear resistance, fire and moisture prevention and eco-friendly material, which can drive the enhancement on the acceptance in household markets of Europe, US and China. MJ adjusted the strategies with dual business orders, LVT and SPC to gain the footing stand in commercial markets and expand the sales in household markets. It is expected to have a good overall business performance from the benefits of overall strategies. On one hand, the Company continues to promote ODM business transformation on the export market. Currently, the Company maintained a good standard on the orders from the major clients in Europe. As the learning curve of the new SPC production line improved, the shipment performance may be driven; on the other hand, the two self-owned brands under the Company, MeiJer and Prolong, laid out a more comprehensive sales channel and cross-industry cooperation opportunities and actively created a sprint to increase market shares in China and some parts of Taiwan. The Company hopes to build a good growth engine for future business of the corporation.

In view of decentralized production capacity and markets will be helpful in reducing global protectionism and the uncertain impact resulted from the epidemics of infectious disease, MJ passed the investment plan for new factory in Tainan in 2019 to expand the production line of SPC floor. Aiming to complete in Q4 of 2020, the Company will gradually devote it to production in Q1 of 2021.

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

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

Health and happiness!

M. J. International Co., Ltd.

Chairman of Board: Chen Pen-Yuan

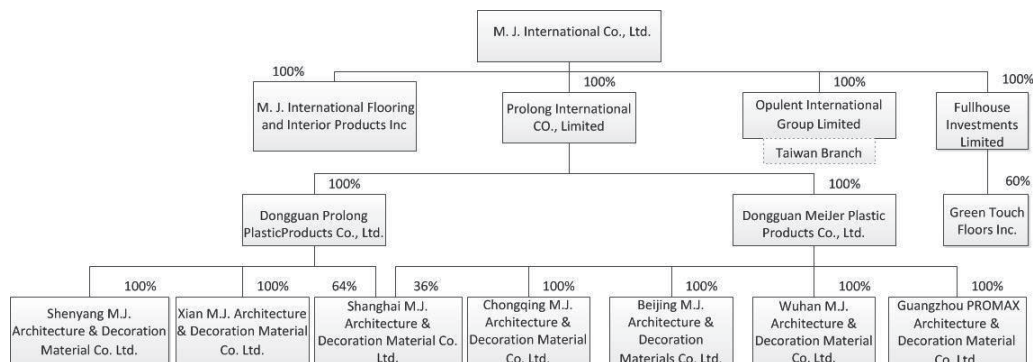
Two. Company profile

I. Date of incorporation and company profile

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

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

II. Company organization



III. Company history

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

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

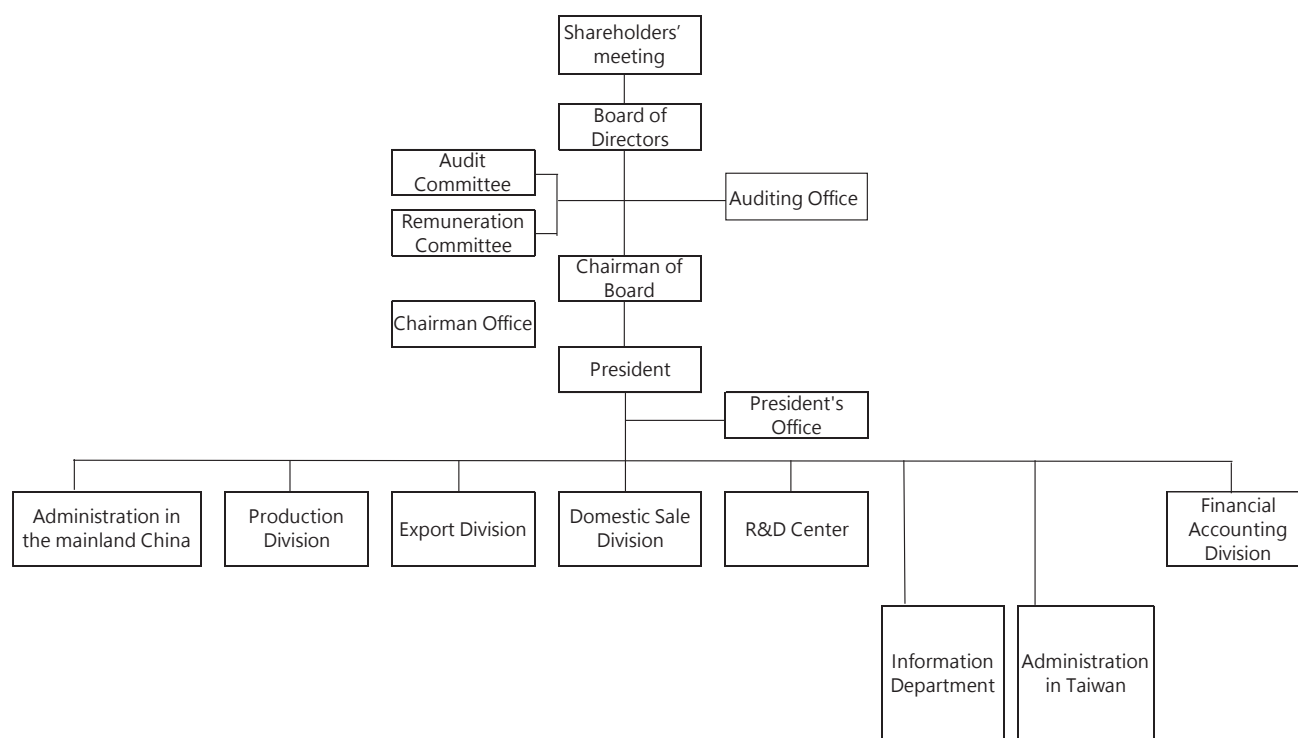
IV. Risks

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

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Operations by department

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

Department	Operations & functions
President's Office	In charge of planning the Company's overall strategies and projects, assess and compile such information as business plans and performance assessment submitted by various divisions; follow up, supervise and assist the various projects and various divisions' objectives and progress; collect and provide external management information and intelligence; call the management meetings.
Administration in the mainland China	Set the objectives about management of human resource, general affairs, procurement and SHE of the Group's subsidiaries in the mainland China.
Production Division	Responsible for the production plan, production technology, production, progress management, site management, warehousing management and equipment maintenance for the products. Promote quality policies and objectives, plan and execute quality assurance systems, supervise the settlement of complaints from customers, supervise and audit suppliers' management, and continue to upgrade customers' satisfaction about quality.
Export Division	Marketing strategy planning, sales, market development, development of new customers, and collection, investigation and analysis of market information with respect to the Company's products in any overseas territories other than the territories of Great China.
Domestic Sale Division	Develop online sale channels, establishment of an architectural design institute project designation, merchandise the market products and brand products, establish and maintain e-commercial channels, and plan products in the territories of Great China.
R&D Center	Integrate new materials, new technologies and new functions to develop new products or new production processes; assist the technology transfer and implement mass production; and establish related documents, such as BOM and SOP. Assess and research the new ideas about forward-looking technologies and products; execute outsourcing R&D cooperative projects; conduct pre-market survey and establish product development plans. Search, assess, apply for and maintenance the patents about the products.
Financial Accounting Division	Responsible for capital allocation, accounting, financial budget, cashier, taxation and shareholders' service of the Company.
Information Department	Integrate the application of the Company's information resources and management of information security, including procurement and maintenance of computer software and hardware, installation, planning, management and maintenance of network, development and maintenance of application softwares, and implementation of various office systems.
Administration in Taiwan	Set the objectives about management of human resource, general affairs, procurement and SHE of the Group's subsidiaries in Taiwan and Hong Kong.

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

(I) Directors and supervisors

1. Directors

April 11, 2020 Unit: shares; %

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

Job title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term of Office	Date of First Election (Appointment)	Number of shares held at the time of election (appointment)		Current quantity of shares held		Number of shares held by their spouses and minor children		Number of shares held under another person's name		Educational background (work experience)	Positions concurrently held in the Company and other companies	Spouse or relative within the 2nd degree of kinship who is also a manager, director or supervisor of the Company		
							Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship
Director	Taiwan R.O.C.	Lin An-Hsiu	Male	September 5, 2018	3 years	October 8, 2010	710,500	1.08%	1,152,500	1.74%	99,500	0.15%	-	-	Graduated from elementary school	Supervisor of G.T Floor Co., LTD. Director of M.J.International Flooring and Interior Products Inc(TW) Director of Prolong International Co., Limited(HK)	-	-	-
Director	Taiwan R.O.C.	Hsieh Ming-Feng	Male	September 5, 2018	3 years	August 7, 2014	760,000	1.15%	760,000	1.15%	557,000	0.84%	(Note 5)	(Note 5)	Department of Chemical Engineering, Lee-Ming Institute of Technology	Chairman of Board of Xin Wei Cun Ltd. Supervisor of M.J.International Flooring and Interior Products Inc(TW) Supervisor of Dongguan Mei Jer PlasticProducts Co., Ltd.(CHN) Supervisor of Dongguan Prolong PlasticProducts Co., Ltd.(CHN) Chairman of Board of Wei Chung Development Co., Limited.	-	-	-
Independent Director	Taiwan R.O.C.	Yeh Chu-Rong(Note 5)	Male	September 5, 2018	3 years	August 7, 2014	-	-	-	-	-	-	-	-	Graduated from senior high school Chairman of Taiwan Businessmen Association Dongguan Assistant Vice President of China Wire & Cable Co., Ltd. Director, Taiwan Electric Wire & Cable Industries Association	Chairman of Board of YFC-BonEagle ELECTRIC CO., LTD. Responsible person of Dongguan Yuefeng Electronic Technology Co., Ltd.	-	-	-
Independent Director	Taiwan R.O.C.	Lin Chiang-Liang	Male	September 5, 2018	3 years	August 7, 2014	-	-	-	-	-	-	-	-	Doctor, Department of Accounting, National Chengchi University Dean of General Affairs of Office of General Affairs, Chung Yuan Christian University Chair of Department of Accounting, Chung Yuan Christian University	Professor of Department of Accounting, Chung Yuan Christian University Independent Director/Remuneration Committee Member of Tecom Co., Ltd. Independent Director/Remuneration Committee Member of CALITECH CO., LTD. Independent director/member of remuneration committee, KEYSTONE MICROTECH CO	-	-	-

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

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

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

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

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

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

Note 6: Independt director, Yeh Chu-Rong, resigned on Feb. 3, 2020.

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

3. Major shareholders of institutional shareholders

March 31, 2020

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

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

March 31, 2020

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

5. Information about directors and supervisors

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

Qualifications	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note1)												Number of public companies where the person holds the position as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national government as court judge, prosecutor, attorneys-at-law, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen																
Director Chairman Management Corp. Representative: Kao Chen-Sheng			✓	✓					✓	✓	✓	✓	✓	✓	✓	-
Director Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien			✓	✓				✓	✓	✓		✓	✓	✓	✓	-
Director Lin An-Hsiu			✓	✓				✓		✓		✓	✓	✓	✓	-
Director Hsieh Ming-Feng			✓	✓						✓	✓	✓	✓	✓	✓	-
Independent Director Yeh Chu- Rong(Note2)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Lin Chiang-Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Liao Wen-Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

Note 2: Independent director Yeh Chu Rong resigned on Feb. 3, 2020.

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

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

April 11, 2020 Unit: shares; %

Job title	Nationality	Name	Gender	Date of Election (Appointment)	Quantity of shares held		Quantity of shares held by their spouses and minor children		Number of shares held under another person's name		Educational background (work experience)	Positions concurrently held in other companies	Spouse or relative within 2nd degree of kinship and who is a manager			note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
President	Taiwan R.O.C.	Chiang Tze-Hua	Male	June 1, 2013	224,608	0.34	111,538	0.17	-	-	Department of Industrial Engineering and Systems Management, Feng Chia University M.J. - Special Assistant of President Office M.J. - Vice President of Production M.J. - Vice President of Marketing	(Note 1)	-	-	-	-
Vice General Manager of Financial Accounting Dept.	Taiwan R.O.C.	Liu Chiao-Lu	Male	February 1, 2012	192,311	0.29	-	-	-	-	Department of Accounting, Chinese Culture University M.J. - Vice President of Administration M.J. - Special Assistant of President Office Taiwan Oasis Technology Co., Ltd. - Vice President CHUNG SHING TEXTILE CO., LTD. - Junior Accounting Manager CPA registered in the mainland China	(Note 2)	-	-	-	-
Vice President of Production Division	China	Li Liang-You	Male	June 1, 2018	-	-	-	-	-	-	Wanzai Vocational Technical School (mainland China) M.J. - Section Chief of Supplies Section, Production Control Department M.J. - Section Chief of Quality Assurance Department M.J. - Manager of Manufacturing Department	-	-	-	-	-
Vice President of Marketing Division	China	Song Hsiao-Pei(Note 3)	Male	September 1, 2017	-	-	-	-	-	-	MBA of Maastricht School of Management English Department of School of Foreign Languages in East China Normal University Asia Pacific Supply Chain Senior Manager in Armstrong Building Products Co., Ltd. Purchasing Manager in STATS ChipPAC	-	-	-	-	-
Manager of Domestic Sale Department	China	Chang Hung-Wu	Male	March 9, 2015	-	-	-	-	-	-	Department of Architecture of Tongji University Marketing Director in Beijing Oude Decoration	-	-	-	-	-

Job title	Nationality	Name	Gender	Date of Election (Appointment)	Quantity of shares held		Quantity of shares held by their spouses and minor children		Number of shares held under another person's name		Educational background (work experience)	Positions concurrently held in other companies	Spouse or relative within 2nd degree of kinship and who is a manager			note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
in the mainland China											Materials Marketing Director in Armstrong Building Products (CHINA) Co., Ltd. M.J. - Marketing Director in the mainland China					
Vice President of Administration in the mainland China	China	Tu Chiang-Ling(Note 4)	Male	January 1, 2018	-	-	-	-	-	-	Leshan Normal University Global Brands Manufacture Ltd. - Procurement Section Chief M.J. - Procurement Manager	-	-	-	-	-
Manager, Information Department	Taiwan R.O.C.	Lee Kuang-Chun	Male	November 1, 2016	100	-	-	-	-	-	Department of International Management of Lughwa University of Science and Technology WELL COMMUNICATION CORPORATION - Engineer of Information Department Comda Advanced Technology Corp. - Information Section Chief M.J. - Senior Specialist of Information Department	-	-	-	-	-
Chief Auditor of Auditing Office	Taiwan R.O.C.	Hung Ming-Ji	Male	November 11, 2019	-	-	-	-	-	-	Dept. of Business Management, National Taiwan University of Science and Technology Manager of the audit office and finance dept., Mibtech Plastic & Molds Co., Ltd Vice manager of the audit office, Sunvic Technology Co., Ltd. Vice manager of the finance and accounting dept., Top Yang Technology Enterprise Co., Ltd. Vice manger of the finance and accounting dept., Lian Hong Art Co., Ltd. Chief of the finance and accounting sector, I-Chiun Precision Industry Co., Ltd.	-	-	-	-	-
Special Assistant of Chairman Office	Taiwan R.O.C.	Peng Shao-Tseng	Male	July 4, 2016	-	-	-	-	-	-	National Taiwan University EMBA The City University of New York MBA Independent Advisor KPMG Corporate Finance Co., Ltd., Business Process Reengineering -Vice President/Assistant Vice President/Manager	-	-	-	-	-

Job title	Nationality	Name	Gender	Date of Election (Appointment)	Quantity of shares held		Quantity of shares held by their spouses and minor children		Number of shares held under another person's name		Educational background (work experience)	Positions concurrently held in other companies	Spouse or relative within 2nd degree of kinship and who is a manager			note
					Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding			Job title	Name	Relationship	
											Li Xin International Development Co., Ltd. - President North Bay Golf Recreation Co., Ltd. - Planning/Vice President of Financial Management/Assistant Vice President/Manager					
Special Assistant of Chairman Office	Taiwan R.O.C.	Chiang Chun-Ho	Male	January 1, 2020	-	-	-	-	-	-	Graduate student of the Ph.D. program of the National Development and Mainland China Institute of Chinese Culture University Doctor of Economy & Management School, Wuhan University Guangzhou Lingnan Tongweng Education Invested - special assistant of the President concurrent the Acting President LiteOn Group-Director, Human Resource Division, China Enlight Corporation Group-Director of China General Management Office Aurora Communications-Director of General Management Department Director of Far East Airlines-Human Resources and General Affairs Tung-I Information Service -General Manager, Tainan Shop	-	-	-	-	-

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

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

Note 3: Vice general manager of export sales office, Song Hsiao-Pei, resigned on April 19, 2020.

Note 4: Vice general manager of administrative management office (China), Chiang Ling, position transferred on Feb. 01, 2020.

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

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

(1) Remuneration to directors (including independent directors)

Unit: NTD Thousand

Job title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to earnings		Remuneration received in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to earnings		Remuneration from investees other than subsidiaries		
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		For professional practice (D)				Salary, bonus and special allowance, et al. (E)		Pension (F)		Remuneration to employees (G)								
		the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	Cash dividend	Stock dividend	Cash dividend	Stock dividend	the Company	All companies included in the financial statements			
Chairman of Board	Black Dragon Assets Limited	-	9,917	-	-	5,522	5,522	36	36	1.38%	3.85%	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: Chen Pen-Yuan																							
Director	CROWN HARVEST COMPANY LIMITED					2,761	2,761	30	30	0.69%	0.69%													
	Representative: Chen Chien-Yuen																							
Director	Chairman Management Corp.					2,761	2,761	36	36	0.69%	0.69%													
	Representative: Kao Chen-Sheng																							
Director	Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account					2,761	2,761	12	12	0.69%	0.69%													
	Representative: Ho Ping-Hsien																							
Director	Lin An-Hsiu					2,761	2,761	36	36	0.69%	0.69%													
Director	Hsieh Ming-Feng					2,761	2,761	36	36	0.69%	0.69%													
Independent Director(Note)	Yeh Chun-Rong	371	371					36	36	0.10%	0.10%													
Independent Director	Liao Wen-Chi	371	371					30	30	0.10%	0.10%													

Breakdown of remuneration

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

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

(3) Remuneration to President and Vice Presidents

Unit: NT\$ thousand; %

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance, et al. (C)		Remuneration (D)				The sum of A, B, C and D in proportion to earnings		Remuneration from investees other than subsidiaries
		the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company		All companies included in the financial statements		the Company	All companies included in the financial statements	
								Bonus in cash	Bonus in the form of stock	Bonus in cash	Bonus in the form of stock			
President	Chiang Tze-Hua													
Vice General Manager of Financial Accounting Dept.	Liu Chiao-Lu													
Vice President of Marketing Division	Song Hsiao-Pei (Note 1)	-	11,680	-	598	-	1,830	-	-	7,702	-	-	5.42%	-
Vice President of Domestic Sale Department in the mainland China	Chang Hung-Wu													

Vice President of Administration in the mainland China	Tu Chiang-Ling (Note 2)													
Production Division Vice President	Lee Liang-You													
Special Assistant of Chairman Office	Peng Shao-Tseng													

Note 1: Vice general manager of export sales office, Song Hsiao-Pei, resigned on April 19, 2020.

Note 2: Vice general manager of administrative management office (China), Tu Chiang-Ling, resigned on Feb. 01, 2020.

Breakdown of remuneration

Breakdown of remuneration to President and Vice President of the Company	Name of President and Vice President	
	the Company	All companies included in the financial statements
Less than NT\$2,000,000	-	Li Liang-You, Du Chiang-Ling
NT\$2,000,000 (inclusive)~NT\$5,000,000 (exclusive)	-	Liu Chiao-Lu, Peng Shao-Tseng, Chang Hung-Wu, Song Hsiao-Pei
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	Chiang Tze-Hua
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	
More than NT\$100,000,000	-	
Total	0 person	7 persons

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

	Job title	Name	Bonus in the form of stock	Bonus in cash	Total	Total in proportion to earnings (%)
Manager	President	Chiang Tze-Hua	-	7,702	7,702	1.91%
	Vice General Manager of Financial Accounting Dept.	Liu Chiao-Lu				
	Vice President of Export Division	Song Hsiao-Pei(Note 1)				
	Vice President of Domestic Sale Division	Chang Hung-Wu				
	Vice President of Administration in the mainland China	Tu Chiang-Ling(Note 2)				
	Vice President of Production Division	Lee Liang-You				
	Special Assistant of Chairman of Board	Peng Shao-Tseng				

Note 1: Song, Hsiao-Pei, Vice General Manager of Export Business Division, dismissed due to expiration of labor contract on Apr. 19, 2020

Note 2: Tu, Chiang-Ling, Vice General Manager of China Administrative Management Division, dismissed due to reorganization on February 1, 2020.

(4)-1 the top of five supervisors Remuneration

Unit: NT\$
thousand; %

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance, et al. (C)		Remuneration (D)				The sum of A, B, C and D in proportion to earnings%		Remuneration from investees other than subsidiaries
		the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company	All companies included in the financial statements	the Company		All companies included in the financial statements		the Company	All companies included in the financial statements	
								Bonus in cash	Bonus in the form of stock	Bonus in cash	Bonus in the form of stock			
President	Chiang Tze-Hua		2,520		108		634			3,479			1.67%	
Vice General Manager of Financial Accounting Dept.	Liu Chiao-Lu		1,935		108		295			900			0.8%	
Vice President of Domestic Sale Department in the mainland China	Chang Hung-Wu		1,344		51		537			1,344			0.8%	
Vice President of Marketing Division	Song Hsiao-Pei (Note 1)		1,344		211		537			896			0.74%	
Special Assistant of Chairman Office	Peng Shao-Tseng		1,779		108		249			500			0.65%	

Note 1: Song, Hsiao-Pei, Vice General Manager of Export Business Division, dismissed due to expiration of labor contract on Apr. 19, 2020

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

Unit: NT\$ thousand

Item \ Year	2018		2019	
	Total remuneration	in proportion to earnings (%)	Total remuneration	in proportion to earnings (%)
Director	24,886	8.02	30,646	7.62
President and Vice President	19,951	6.43	21,810	5.42

The total remuneration paid to directors, president and vice presidents in proportion to earnings in 2018 and 2019 was 14.45% and 13.04% respectively. The remuneration was allocated pursuant to the Company's Articles of Incorporation and related payroll regulations. Meanwhile, the Company has established the Remuneration Committee in October 2014, which consisted of the independent directors including Liao Wen-Chi, Yeh Chun-Rong (discharged on February 3, 2020), and Lin Chiang-Liang and engaged in periodically reviewing and assessing the performance of directors and managers, as well as policies, systems, standards and structures of remuneration, which shall afford to signify the liability and risk borne by them.

IV. Status of corporate governance

(I) Operation of the Board of Directors

The Board has held 6 (A) sessions in 2019, and the attendance of directors is specified as following:

Job title	Name (Note)	Counts of attendance (B)	Counts of attendance by proxy	Actual attendance rate (%) (B)/(A)	Remark
Chairman of Board	Black Dragon Assets Limited Representative: Chen Pen-Yuan	6	0	100%	
Director	CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen	5	1	83.3%	
Director	Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien	2	4	33.3%	
Director	Chairman Management Corp. Representative: Kao Chen-Sheng	6	0	100%	
Director	Lin An-Hsiu	6	0	100%	
Director	Hsieh Ming-Feng	6	0	100%	
Independent Director	Yeh Chu-Rong(Note)	6	0	100%	
Independent Director	Lin Chiang-Liang	6	0	100%	

Independent Director	Liao Wen-Chi	5	1	83.3%	
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Note : Independt director, Yeh Chu Rong, resigned on Feb. 3, 2020.

Other notes:

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

- (I) The circumstances referred to in Article 14~3 of the Securities and Exchange Act: None.
- (II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

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

Date of Board of Directors Meeting	Name of the director	Contents of motion	Reason for conflict of interest	Actual voting counts
March 8, 2019	Black Dragon Assets Limited Representative: Chen Pen-Yuan	Review the motion for distribution of year-end bonus to the Company's Chairman of Board and managers	Due to that the President of Black Dragon Assets Limited(Representative: Chen, Pen-Yuan) is the stakeholder pursuant to the principle in the Year-End Bonus Appropriation by President & Management Measure.	recused himself from the discussion and voting pursuant to laws.
	Black Dragon Assets Limited Representative: Chen Pen-Yuan	Motion for remuneration to employees and directors in 2019	Due to that the President of Black Dragon Assets Limited(Representative: Chen, Pen-Yuan)is the stakeholder of remuneration of Director	recused himself from the discussion and voting pursuant to laws.
	CROWN HARVEST COMPANY LIMITED Representative: Chen Chien-Yuen		Due to that the Director of CROWN HARVEST COMPANY LIMITED (Representative: Chen, Chien-Yuen) is the stakeholder of remuneration of Director	recused himself from the discussion and voting pursuant to laws.
	Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account Representative: Ho Ping-Hsien		Because the Director of Yuanda Commercial Bank was trusted to custody Duoyun Investment Co., Ltd. (representative: Ho, Ping-Hsien), is the stakeholder of remuneration of Director	recused himself from the discussion and voting pursuant to laws.

	Chairman Management Corp. Representative: Kao Chen-Sheng		Because the Director of CROWN HARVEST COMPANY LIMITED (Representative: Kao, Chen-Sheng) the stakeholder of remuneration of Director.	recused himself from the discussion and voting pursuant to laws.
	Lin An-Hsiu		Because the Director, Lin, An-Hsiu, is the stakeholder of remuneration of Director	recused himself from the discussion and voting pursuant to laws.
	Hsieh Ming-Feng		Because the Director, Hsieh, Ming-Feng, is the stakeholder of remuneration of Director	recused himself from the discussion and voting pursuant to laws.

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

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

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

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

(II) Operation of the Audit Committee

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

Job title	Name	Counts of attendance (B)	Counts of attendance by proxy	Actual attendance rate (%) (B)/(A)	Remark
Independent Director	Yeh Chu-Rong(Note)	5	0	100%	
Independent Director	Lin Chiang-Liang	5	0	100%	
Independent Director	Liao Wen-Chi	4	1	80%	

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

Other notes:

- I. For resolution(s) passed pursuant to Article 14~5 of the Securities and Exchange Act and any other resolution(s) passed upon approval of more than two-thirds of the whole directors instead of the Audit Committee, please clearly state the meeting date, term, contents of motion and resolution of the Committee, and the Company's handling of the Audit Committee members' opinions: None.
- II. In instances where an independent director recused himself/herself due to a conflict of interest, please clearly state the independent director's name, contents of the motion, reason for conflict of interest and actual voting counts: None.
- III. Communication between independent directors and internal auditing officers as well as CPAs on the Company's financial position and business overview, such as items discussed, means of communication and results, etc.:
 - (I) The Company organizes the Audit Committee meetings periodically, and invites CPAs, internal auditing officers and related supervisors to attend the meetings, if necessary.
 - (II) The Company's internal audit unit will submit the audit report and follow-up report to independent directors for review periodically. The internal auditing officers will also attend the Audit Committee meetings to report on the status of implementation of audit plans and improvement of deficiencies, and respond to the questions about audit business posed by directors. The Audit Committee is allowed to access or appraise the status of the Company's internal control routinely, and at the Committee meetings periodically.
 - (III) The independent directors will communicate with the CPAs about the audit result of financial reports and issues required by relevant laws, and assess and review the CPAs' independence each year.

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

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

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

Items	Status of operation (Note)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary(Note)	
			establish the relevant regulations and control mechanism for various operations.	
(III) Has the Company established Regulations for Evaluating the Performance of the Board and its Evaluation method, conducted performance evaluation regularly each year, submitted the performance evaluation results to the board and taken the results as a reference for determining the remuneration of individual directors and nomination for re-election?	✓		(III) The board of the Company approved the Regulations for evaluating the performance of the board on March 5, 2020. The performance evaluation will be conducted regularly each year. The evaluation methods include internal self-evaluation of the board, self-evaluation of the members of the board, peer evaluation and evaluation done by entrusting external professional institute.	
(IV) Whether the company has established regular assessment to the external auditors' independence each year.	✓		(IV) The Company will assess the external auditors' independence each year.	
IV. Has the TWSE/TPEX listed company established suitable appropriate number of corporate governance personnel, appointed chief corporate governance officer to be in charge of relevant affairs for corporate governance (including but not limited to providing the directors and supervisors with required information to carry out their business, assisting the directors and supervisors on law compliance, handling board	✓		The Company does designate the personnel dedicated to corporate governance, e.g. organization of board meetings and shareholders' meetings and preparation of board meeting and shareholders' meeting minutes pursuant to laws.	No material deviation exists.

Items	Status of operation (Note)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary(Note)	
meeting and shareholders' meeting related matters in accordance with the law, preparing minutes of board meeting and shareholders' meeting)?				
V. Does the Company have established a communication channel for the stakeholders (including but not limited to, shareholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	✓		The Company identifies the related stakeholders subject to the degree of dependence between the business administration and internal/external personnel (individuals/juristic persons/groups). The Company has also disclosed the stakeholder section to respond to the questions about stakeholders on the Company's website.	No material deviation exists.
VI. Does the Company have commissioned a professional shareholders service agent to handle shareholders' meeting affairs?	✓		The Company's shareholders service affairs are handled by the professional shareholders service agent on behalf of the Company.	
VII. Information disclosure				
(I) Whether the Company has established a website that discloses the information about financial position, business overview and corporate governance?	✓		(I) The Company has set up the official website where the investor section is established to update the Company's information from time to time.	
(II) Whether the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a	✓		(II) The Company designates dedicated personnel responsible for collecting and disclosing the corporate information and implements the	

Items	Status of operation (Note)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary(Note)	
spokesperson system, broadcasting of investor conferences via the Company's website)?			spokesperson system. The investor conferences will also be posted on the Company's website.	
(III) Whether the Company announce and declare the annual financial statement within two months at the end of the accounting year and announce and declare the Q1, Q2 and Q3 financial statement and monthly operational status prior to the deadline in the regulation?		✓	(III) The Company announced the Q1, Q2, Q3 and annual financial statement and monthly operation status in advance prior to the regulated deadline. As for annual financial statement, the Company cannot announce it within two months after the end of the accounting year in advance due to the audit schedule of overseas subsidiaries.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)?	✓		The Company is used to caring employees' benefits, and establishes various management regulations and requirements, such as salary, promotion, rewards and punishments, leave and social insurance, which comply with the local laws and regulations. Employees shall take the health check-up periodically during their employment. The Company provides meal allowance or clean and sanitary meals, as well as the dormitory for employees or accommodation allowance, and various subsidies for marriage, funeral, festival,	

Items	Status of operation (Note)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary(Note)	
			<p>birthday celebration and trips to take care of the employees physically and mentally. Meanwhile, when selecting suppliers, the Company will consider whether the supplier's social responsibility commitment and performance comply with the standard requirements under the SA8000 system as the first priority, and assess their ability if necessary. Upon the assessment, the suppliers considered qualified will be included into the Company's roster of qualified suppliers. The Company will also ask the suppliers to sign the "Supplier Corporate Social Responsibility Commitment Statement" and demand that they should conduct self-assessment on their fulfillment of social responsibility periodically. Meanwhile, the Company also establishes various communication channels for stakeholders to mitigate or prevent potential operational risk. The Company's directors will complete continuing education each year, in hopes of enhancing the functions of the Board of Directors. The company shall take out supervisors and key staff liability</p>	

Items	Status of operation (Note)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary(Note)	
			insurance with respect to liabilities resulting from the exercise of duties during their terms, to enhance corporate governance.	
IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies.	✓		The Company has established the “Corporate Governance Best-Practice Principles”, “Ethical Corporate Management Best-Practice Principles” and “Corporate Social Responsibility Best-Practice Principles”, and participated in the corporate governance evaluation for the first time in 2017. The Company sets its improvement plan based on the self-audit report on corporate governance, in hopes of practicing the spirit of corporate governance to the enterprise’s culture.	No material deviation exists.

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

1. Information about Remuneration Committee members

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

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

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

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

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

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

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

2. Operation of the Remuneration Committee

- I. The Company's Remuneration Committee consists of 3 members.
- II. The term of office to be served by the current members: From September 5, 2018 to September 4, 2021. The Remuneration Committee has held 2 (A) meeting in the most recent year, and the members' qualification and attendance are summarized as follows:

Job title	Name	Counts of attendance (B)	Counts of attendance by proxy	Actual attendance rate (%) (B)/(A)(Note1)	Remark
Convener	Liao Wen-Chi	2	0	100%	
Member	Liao Wen-Chi	2	0	100%	
Member	Lin Chiang-Liang	2	0	100%	
Member	Yeh Chu-Rong	1	1	50%	(Note2)

Other notes:

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

Note1 :

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

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

(V) Fulfillment of corporate social responsibility:

Items	Status of operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
I. Whether the Company conduct risk assessment on environmental, social and corporate governance issues related to business operations of the Company in accordance with the concept of materiality and established relevant risk management policies or strategies?	✓		I. The Board of the Company approved “Corporate Social Responsibility Best Practice Principles” and has faithfully implemented it. The Company has complied with relevant environmental regulations and relevant international principles, appropriately protected the natural environment and devoted in achieving the objectives for sustainable environment when conducting business activities and internal management. The Company has complied with relevant regulations to protect social welfare and international convention for human rights, such as gender equality, work rights and prohibition against discrimination. The Company will enhance the transparency disclosing corporate social responsibility information.	No material deviation exists.

Items	Status of operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
II. Whether the Company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the board of directors to be managed by the high-level management and reports to the board of directors?	✓		II. The general manager's office is the dedicate (concurrent) unit to be in charge of promoting corporate social responsibility. Regarding the economic, environment and social issues resulted from the business activities, the board of directors authorized the senior management to handle and report to the board of directors about the implementations.	No material deviation exists.
III. Environment topic (I) Whether the Company has established the suitable environment management policies and procedures in accordance with its own manufacture features?	✓		(I) The Company's china production base has got the certificate from ISO14001 and the china environment label. The whole production process is in accordance with the environment production regulation . The company also got the green lable for our product ,it means the whole production process is low-environment risk .	No material deviation exists.
(II) Whether the Company has upgraded the efficiency for all kind of resource and taken the green material into production ?	✓		(II) The Company has put great effort to material usage and energy .The company will take the recycle into the all production process and reduce the waste in process.	
(III) Whether the Company takes a	✓		(III) The Company has always	

Items	Status of operation (Note 1)		Summary (Note 2)	Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
assessment to the current and future potential risk and chance from the climate change? Whether the Company take some actions to face the climate change?			reduced the effects to environment and the changes to climate during the production process °	
(IV) Whether the Company conduct statistics on the emission of greenhouse gas, water consumption volume and the total waste weight in the past two years and developed policies for energy-saving, reduction on greenhouse gas, water consumption volume or management of other wastes?		✓	(IV) Though the Company did not make statistics on the emission of greenhouse gases, the Company paid attention in environment protection matters during the production process: reasonable use and control of raw materials from source, energy and other resources, reduction of wastes and emission of pollution, enhancement on the use of regenerated and recycled resources, maintenance of various pollution emission value of machines and equipment in factory under the emission value in the regulation, including water, air, sound pollution, etc. The inspection reports each year were inspected and approved by the competent authority of the production place, AQSIQ of China.	
IV、Social Issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and	✓		(I) All subsidiaries of the company have established working rules and complete human resource	

Items	Status of operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
regulations and international human rights conventions?			management rules in accordance with relevant laws of local governments to protect the rights and interests of employees. The basic wage, working hours, vacation, pension payment, labor and health insurance payment, occupational disaster compensation, etc. for the hired labors of the Company are complied with relevant regulations.	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacations and other welfares, etc.) and reflected management performances or outcomes on employees' remuneration?	✓		(II) The Company cared about employees' welfare and has stipulated various management regulations and rules, such as salary, promotion, award, vacation, and social insurance, which complied to local regulations. Moreover, the Company provided various subsidies for employees' weddings, funerals, child births, celebrations as well as birthday celebration and travel to actively take actions in caring employees' physical and mental health.	
(III) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?	✓		(III)The Company valued employees' work environment, safety and health and regularly arranged health examination for employees to take on the responsibility of caring employees' safety and health.	
(IV) Has the Company developed an effective training program for	✓		(IV)The Company conducts trainings for employees	

Items	Status of operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
employees?			every year to increase competitiveness in their competency.	
(V) Regarding the health and safety of products and services, customers' privacy, marketing and labelling, has the Company complied with relevant regulations and international principles and developed relevant policy and compliant procedure to protect consumers' rights and interests?	✓		(V) Marketing and labelling of the products and services of the Company have complied with relevant regulations and principles of the industries. The Company ensured good quality through procurement acceptance and final product inspection procedures. Moreover, the Company stipulated Regulation for Handling Customers' Complaint to maintain a good communication channel with the customers, provide transparent and effective after-sales services on the products to ensure consumers' rights and interests.	
(VI) Has the Company established management policy for suppliers and asked the suppliers to comply with environmental friendly, occupational safety or labor rights and present its implementations?	✓		(VI)The Company evaluated the corresponding suppliers of the Company in accordance with "Procedures Evaluating Suppliers". The contract between the Company and the supplier did not include the articles stating that the Company may terminate or cancel the contract at all times if the supplier violated its corporate social	

Items	Status of operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			responsibility policy and caused significant impact on the environment and society. However, when signing contract with the suppliers, the Company also requested them to sign “Suppliers’ Commitment to Implement Social Responsibilities” and “A Letter from SAF-004 to Interested Parties”. In addition, the Company regularly re-evaluates the corresponding suppliers in accordance with the provisions in “Procedures Evaluating Suppliers”. If discovered that the suppliers had the aforementioned situations, the Company will not select the suppliers who do not pay attention to corporate social responsibilities.	
V. Has the Company referenced the international principles or guidelines for preparing generalized report to prepare its non-financial reports such as corporate social responsibility reports? Has the Company obtained confirmation or guarantee opinions from third-party verification agencies regarding the aforementioned report?		✓	V. Though the Company did not prepare corporate social responsibility report verified by third party verification unit, the Company reference the spirit of Principles or Guidelines for Preparing Reports of International Generic Use to conduct relevant operations, including the acquisition of SA8000 certificate: The primary consideration for the Company to select suppliers is whether their commitment and	

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

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

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

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

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

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

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

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

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

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

1. Statement of Declaration for Internal Control System

M.J. International Co. Ltd.

Statement of Declaration for Internal Control System

Date: March 5, 2020

The following statement of declaration has been made based on the 2019 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria adopted by the "Regulations" consist of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk assessment; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. For said sub-elements, please see the "Regulations".
- IV. The Company has adopted said criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the auditing findings referred to in the preceding paragraph, the design and implementation of the Company's internal control system (including supervision and control over its subsidiaries) on December 31, 2019, including the achievement of operating results and efficiency, reliability of financial statements and compliance with laws, is considered effective and able to provide reasonable assurance on achievement of said objectives.
- VI. The Statement constitutes the summary content of the Company's Annual Report and Prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of said disclosures shall bear the legal liability against violations of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act.
- VII. The Statement was passed unanimously without objection by all 8 Directors present at the directors' meeting dated March 5, 2020.

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

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: none

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, please disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

(XI) Important resolutions of shareholders' meetings and directors' meetings during the most recent year and up to the date of publication of this annual report:

Important resolutions of shareholders' meetings in 2019, and status of implementation thereof:

1. Important resolutions of shareholders' meetings, and status of implementation thereof:

(1) Shareholders' meetings and special shareholders' meetings in 2019

20190605 Shareholders' meeting	<ol style="list-style-type: none"> 1. The Company's 2018 Business Report and Consolidated Financial Statement 2. Proposal for distribution of profits in 2018 3. Amendment to Memorandum of Organization and Articles of Incorporation 4. Amendment to Rules of Procedure for Shareholders' Meeting 5. Amendment to Procedures for the Election of Directors 6. Amendment to Regulations Governing the Acquisition and Disposal of Assets for the Company and its Subsidiaries 7. Addition and amendment to Regulations Governing Derivatives Transactions for the Company and its Subsidiaries 8. Amendment to Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees for the Company and its Subsidiaries
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A. Shareholders meeting in 2019:

1. Motion: The Company's 2018 Business Report and Consolidated Financial Statement
Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
Status of implementation: Completed per the resolution of the shareholders' meeting.
2. Motion: Proposal for distribution of profits in 2018
Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
Status of implementation: Completed per the resolution of the shareholders' meeting.
3. Motion: Amendment to Memorandum of Organization and Articles of Incorporation
Resolution: The motion was passed upon resolution by the whole present shareholders through voting.
Status of implementation: Completed per the resolution of the shareholders' meeting.
4. Motion: Amendment to Rules of Procedure for Shareholders' Meeting
Resolution: The motion was passed upon resolution by the whole present shareholders through voting.

Status of implementation: Completed per the resolution of the shareholders' meeting.

5. Motion: Amendment to Procedures for the Election of Directors

Resolution: The motion was passed upon resolution by the whole present shareholders through voting.

Status of implementation: Completed per the resolution of the shareholders' meeting.

6. Motion: Amendment to Regulations Governing the Acquisition and Disposal of Assets for the Company and its Subsidiaries

Resolution: The motion was passed upon resolution by the whole present shareholders through voting.

Status of implementation: Completed per the resolution of the shareholders' meeting.

7. Motion: Addition and amendment to Regulations Governing Derivatives Transactions for the Company and its Subsidiaries

Resolution: The motion was passed upon resolution by the whole present shareholders through voting.

Status of implementation: Completed per the resolution of the shareholders' meeting.

8. Motion: Amendment to Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees for the Company and its Subsidiaries

Resolution: The motion was passed upon resolution by the whole present shareholders through voting.

Status of implementation: Completed per the resolution of the shareholders' meeting.

2. Important resolutions of directors' meetings

Date	Name of meeting	Motion
May 9, 2019	4th Directors' Meeting of 5th Term	1. Proposal for adjusting the investment plans in mainland China
June 5, 2019	5th Directors' Meeting of 5th Term	1. Establishment of "Standard Operating Procedure for Handling Directors' Request"
August 8, 2019	6th Directors' Meeting of 5th Term	1. Amendment to "Regulations Governing Loaning of Funds", "Regulations Governing Making of Endorsements/Guarantees" of the subsidiaries of the Company 2. Proposal for adding all kinds of internal control systems for the subsidiary of the Company, Shenyang MJ Architecture Decoration Materials Co., Ltd. 3. Proposal for the subsidiary of the Company, Opulent International Group Limited, to make endorsements/guarantees for the subsidiary of the Company Dongguan MeiJer Plastic Products Co., Ltd. and Dongguan Prolong Plastic Products Co., Ltd.
November 7, 2019	7th Directors' Meeting of 5th Term	1. Proposal for passing the 2020 Business Plan 2. Proposal for passing the 2020 Internal Audit Plan 3. Amendment to the Internal Control System of the Company and the Subsidiaries within the Corporate Group 4. Amendment to "Procedures for Ethical

		<p>Management and Guidelines for Conduct”</p> <ol style="list-style-type: none"> 5. Amendment to “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” 6. Proposal for the subsidiaries, Opulent International Group Limited and Opulent International Group Limited (Taiwan), within the corporate group to apply for extension, sign new contracts and handling relevant matters with the bank. 7. Proposal for making endorsements/guarantees to subsidiaries and branch offices within the corporate group 8. Proposal for the subsidiary of the Company, MJ International Enterprise Corporation (“Taiwan MJ”) to acquire real estate. 9. Proposal for approving the subsidiary of the Company, MJ International Enterprise Corporation, to construct factories and hold public bidding. 10. Proposal for approving the appointment of Hung Ta Architect Office and Chang Ma Lung Chen Yu Lin United Architect Office handling the design and supervision on the construction of new factories of the subsidiary of the Company, MJ International Enterprise Corporation (“Taiwan MJ”) 11. Proposal for changing the chief of the audit office
<p>December 17, 2019</p>	<p>8th Directors Meeting of 5th Term</p>	<ol style="list-style-type: none"> 1. Proposal for the investment budget on new factory in Tainan from the subsidiary, MJ International Enterprise Corporation, within the corporate group 2. Proposal for the public bidding on constructing new factory in Tainan from the subsidiary, MJ International Enterprise Corporation, within the corporate group 3. Proposal of the subsidiary, MJ International Enterprise Corporation, within the corporate group signing new contracts with the bank and handling relevant matters to invest on the new factory in Tainan 4. Proposal of the subsidiaries, Opulent International Group Limited, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation, to make adjustments and extend the credit contracts with the bank 5. Proposal for the Company and its subsidiaries to make endorsements/guarantees to subsidiaries, Opulent International Group Limited, Opulent International Group Limited (Taiwan) and MJ International Enterprise Corporation within the corporate group 6. Proposal for approving loan of funds from the subsidiary of the Company, Opulent International Group Limited, to MJ International Enterprise Corporation. 7. Proposal for the policies and systems for the salary

		and remuneration of directors and managers
March 05, 2020	9th Directors Meeting of 5th Term	<ol style="list-style-type: none"> 1. Amendment to Memorandum of Organization and Articles of Incorporation 2. Amendment to “Rules of Procedure for Shareholders’ Meeting” 3. Amendment to “Rules of Procedure for Board of Directors Meetings” 4. Amendment to “Audit Committee Charter” 5. Amendment to “Remuneration Committee Charter” 6. Add “Measures for Evaluating the Performance of the Board” 7. Proposal for changing the certified accountants and their remuneration 8. Proposal for the approval of the independency and adaptability assessment on certified accountants of the Company 9. Proposal for the approval of 2019 Business Report and Consolidated Financial Statement 10. Proposal for handling the relevant matters to nomination of candidates of independent directors from shareholders with over 1% shares 11. Proposal for adjusting the remuneration of independent directors 12. Proposal for remuneration of employees and directors in 2019 13. Proposal for 2019 profit distribution 14. Proposal for 2019 “Statement of Internal Control System” 15. Proposal for loaning of funds between the secondary subsidiaries 16. Proposal for the subsidiary MJ International Enterprise Corporation within the corporate group to adjust previous contracts and sign new contracts with the bank to invest in the establishment of new factory in Tainan 17. Proposal for the Company to make new endorsements/guarantees and adjust previous endorsements/guarantees for the subsidiary MJ International Enterprise Corporation within the corporate group 18. “Actual Economic Statement Declaration” and “Annual Return” of Cayman Islands 19. Proposal for relevant matters to 2020 Shareholders’ Meeting 20. Proposal for distributing the annual bonus to the chairman and managers 21. Proposal for adjusting the remuneration of senior managers of the Company 22. Proposal for appointing senior managers of the Company 23. Proposal for changing senior managers of the Company
March 31, 2020	10th Directors	<ol style="list-style-type: none"> 1. Election for the remaining seats of the 3rd session of

	Meeting of 5th Term	remuneration committee 2. Election for the remaining seats of the 5 th session of independent directors 3. Nomination and Examination on list of candidates for independent directors 4. Proposal for not renewing the labor contract with the senior managers 5. Proposal for approval of 2019 profit distribution during shareholders meeting 6. Proposal for adding relevant matters to discuss duing 2020 Shareholders' Meeting
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(XII) The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.

(XIII) The resignation situation of the company's chairman, general manager, chief of accounting dept., chief of finance department, chief of internal audit office and chief of R&D dept. during the recent years and up to the date of publication of the annual report: manager of the internal audit office, Huang Shu-Mei, resigned on Nov. 11, 2019.

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

Title	Name	Date on board	Date of discharge	Reason for resignation or dismissal
Chief Auditor of Auditing Office	Huang Shu-Mei	July 17, 2014	November 11 , 2019	Position adjustment

V. Information about Independent Auditor Fees:

(I) Information about Independent Auditor Fees

Name of CPA Firm	Name of CPA		Audit period	Remark
Deloitte Taiwan	Chen Chiang-Shiun	Chang Keng-Hsi	20190101~ 20191231	

Unit: NT\$ thousand

Amount range		Fee items	Audit fees	Non-audit fees(Note)	Total
1	Less than NT\$2,000,000			519	
2	NT\$2,000,000(inclusive) ~ NT\$4,000,000		3,750		
3	NT\$4,000,000(inclusive) ~ NT\$6,000,000				4,269
4	NT\$6,000,000(inclusive) ~ NT\$8,000,000				
5	NT\$8,000,000(inclusive) ~ NT\$10,000,000				
6	More than NT\$10,000,000 (inclusive)				

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

Name of CPA Firm	Name of CPA	Audit fees	Non-audit fees					Independent Auditor's Audit Period	Remark
			System Design	Business Registration	Human Resource	Others (Note)	Subtotal		
Deloitte Taiwan	Chen Chiang-Shiun	3,750		269		250	519	20190101 ~ 20191231	Other audit fees include the fees for transfer pricing report and master files.
	Chang Keng-Hsi								

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

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

VI. Information about replacement of CPA: Cooperating with the internal rotation of Deloitte & Touche, the CPAs of the Company were changed starting from Q1 2019 where CPAs, Chen, Chiang-Shiun and Chang, Keng-Shi, served as the CPA of the Company now.

VII. Name of the CPA firm or its affiliates at which the Company's Chairman, President, or managers responsible for financial or accounting matters was an employee over the past year: None.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10 percent in the most recent year and until the date of publication of the annual report:

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

Job title	Name	2019		Ended on 2020 April 11	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman of Board	Black Dragon Assets Limited	-	-	-	-
Representative	Chen Pen-Yuan	-	-	-	-
Director/shareholder with a stake of more than 10 percent	CROWN HARVEST COMPANY LIMITED	-	-	-	-
Representative	Chen Chien-Yuen	-	-	-	-
Director	Chairman Management Corp..	-	-	-	-
Representative	Kao Chen-Sheng	-	-	-	-
Director	Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account	-	-	-	-
Director	Lin An-Hsiu	276,000	-	166,000	-
Director	Hsieh Ming-Feng	-	-	-	-
Independent Director	Yeh Chu-Rong (Resigned : Feb 3,2020)	-	-	-	-
Independent Director	Lin Chiang-Liang	-	-	-	-
Independent Director	Liao Wen-Chi	-	-	-	-
President	Chiang Tze-Hua	(41,500)	-	-	-
Vice General Manager of Financial Accounting Dept.	Liu Chiao-Lu	-	-	-	-
Vice President of Marketing Division	Song Hsiao-Pei (Resigned : April 19,2020)	-	-	-	-
Vice President of Domestic Sale Department in the mainland China	Chang Hung-Wu	-	-	-	-
Vice President of Production Division	Hsing Chi-Chiang	-	-	-	-
Special Assistant of Chairman of Board	Peng Shao-Tseng	-	-	-	-
Vice President of Administration in the mainland China	Tu Chiang-Ling (Resigned : Feb 1,2020)	-	-	-	-
Vice President of Production Division	Li Liang-You	-	-	-	-

(II) Information about the counterpart in any transfer of the equity who is a related party:

Name (Note 1)	Cause of transfer of equity (Note 2)	Trading Date	Trading counterpart	Relationship between the trading counterpart and the Company, director, supervisor and shareholder with a stake of more than 10 percent:	Quantity of shares	Trading price
Chiang Tze-Hua	Bestowment	January 23, 2019	Chiang Ping-Chen		41500	52.9

Note 1: Please specify the name of director, supervisor, manager, or shareholder with a stake of more than 10 percent.

Note 2: Acquisition or disposition.

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

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

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

Name	Shareholding by oneself		Quantity of shares held by their spouses and minor children		Total quantity of shares held under another person's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships:		Remark
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Designation (or name)	Relationship	
								of kinship.	
Chairman Management Corp.	3,999,000	6.05	-	-	-	-	-	-	-
ALPHA MARVEL CORPORATION Representative : Lo Fong-Chu	2,797,200	4.23	-	-	-	-	Black Dragon Assets Limited	The representative has spousal relationship with him/her.	-
							MAGIC VISION DEVELOPMENT LTD	The representative is relative of 1st degree of kinship.	-
							ACCORD SKY INVESTMENTS CO., LTD.	The representative is relative of 1st degree of kinship.	-
MAGIC VISION DEVELOPMENT LTD Representative : Chen Chun-Chi	2,797,200	4.23	-	-	-	-	Black Dragon Assets Limited	The representative is relative of 1st degree of kinship.	-
							ALPHA MARVEL CORPORATION	The representative is relative of 1st degree of kinship.	-
							ACCORD SKY INVESTMENTS CO., LTD.	The representative is a relative of 2nd degree of kinship.	-
							Black Dragon Assets Limited	The representative is relative of 1st degree of kinship.	-
							ALPHA MARVEL CORPORATION	The representative is relative of	-

Name	Shareholding by oneself		Quantity of shares held by their spouses and minor children		Total quantity of shares held under another person's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships:		Remark
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Designation (or name)	Relationship	
ACCORD SKY INVESTMENTS CO., LTD. Representative : Chen I-Hsiu	2,131,200	3.23	-	-	-	-		1st degree of kinship.	
							MAGIC VISION DEVELOPMENT LTD	The representative is a relative of 2nd degree of kinship.	-
FLAME POWER ENTERPRISES CORPORATION	1,480,000	2.24	-	-	-	-	-	-	-
Wei Chung Development CO., Limited	1,471,000	2.23							
Liu Hong-Yang	1,230,000	1.86							

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

Four. Financing Status

I. Capital and Stock

(I) Total shares

1. Formation of capital stock:

March 31, 2020; Unit: Thousand shares; NT\$ thousand

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

Note: No. 10517038501 dated September 21, 2016

2. Total issued shares

March 31, 2020 Unit: shares

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

Note: Listed company's stock

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

(II) Shareholders' structure

April 11, 2020 Unit: shares

Shareholders' structure	Government agencies	Financial institutions	Other institutions	Foreign institutions and foreigners	Individual	Treasury stock	Total
Number of person(s)	0	1	15	23	1,463	0	1,502
Quantity of shares held	0	712,000	214,000	40,488,000	24,645,000	0	66,059,000
Shareholding %	0.00%	1.08%	0.32%	61.29%	37.31%	0.00%	100.00%

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

(III) Status of equity dispersion:

(1) Common shares

April 11, 2020 Unit: shares

Shareholding class	Number of shareholders	Quantity of shares held	Shareholding %
1-999	90	7,329	0.01%
1,000-5,000	1,051	2,154,041	3.26%
5,001-10,000	144	1,118,760	1.69%
10,001-15,000	42	529,008	0.80%
15,001-20,000	31	564,000	0.85%
20,001-30,000	38	992,520	1.50%
30,001-40,000	18	641,016	0.97%
40,001-50,000	9	400,000	0.61%
50,001-100,000	26	1,948,756	2.95%
100,001-200,000	13	1,793,888	2.72%
200,001-400,000	10	2,823,385	4.27%
400,001-600,000	9	4,515,000	6.83%
600,001-800,000	10	7,051,797	10.68%
800,001-1,000,000	0	0	0.00%
More than 1,000,001	11	41,519,500	62.86%
Total	1,502	66,059,000	100.00%

(2) Preferred stock: None.

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

April 11, 2020 Unit: shares

Name of major shareholder	Shares	Nationality or Place of Registration	Quantity of shares held (shares)	Shareholding (%)
CROWN HARVEST COMPANY LIMITED		Samoa	12,204,000	18.47%
Yuanta Bank as Trustee of Luckmore Investments Limited Investment Account		British Virgin Islands	7,779,000	11.78%
Black Dragon Assets Limited		Samoa	4,478,400	6.78%
Chairman Management Corp.		Samoa	3,999,000	6.05%
ALPHA MARVEL CORPORATION		British Virgin Islands	2,797,200	4.23%
MAGIC VISION DEVELOPMENT LTD		British Virgin Islands	2,797,200	4.23%
ACCORD SKY INVESTMENTS CO., LTD.		British Virgin Islands	2,131,200	3.23%
FLAME POWER ENTERPRISES CORPORATION		British Virgin Islands	1,480,000	2.24%
Wei Zhong Development Co., Ltd.		Samoa	1,471,000	2.23%
Liu Hong-Yang		Taiwan R.O.C.	1,230,000	1.86%

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

Unit: NT\$ thousand; Thousand shares

Item		Year	2018	2019	Ended on March 31, 2020
		Market price per share	Highest		92.2
Lowest			53.1	52.9	54.5
Average			69.29	70.26	66.2
Net worth per share	Before distribution		36.89	39.23	35.45
	After distribution		33.89	註 2	註 2
EPS	Weighted average quantity of shares		66,059	66,059	66,059
	EPS		4.70	6.09	0.95
Dividends per share	Cash dividends		3.00	4.1(註 1)	註 2
	Issuance of bonus shares	-	-	-	-
		-	-	-	-
	Accumulated unappropriated dividends		-	-	-
Analysis on rate of return	P/E ratio		14.74	11.54	-
	P/D ratio		23.10	17.14	-
	Cash dividend yield		4.33%	5.84%	-

Note 1: The Board of Directors has approved the proposal for cash dividend distribution to be submitted to 2020 General Shareholders' Meeting.

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

(VI) Dividend policy and implementation thereof

1. Dividend policy set forth by the Articles of Incorporation

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

than two-thirds of the directors attended and over half of the directors' approval on the resolution and submitted to the shareholders' meeting where the amount of dividends in cash shall not be lower than than 10% of such distribution of dividends/bonus.

2. Distribution of dividend proposed in the current year:

The Company's motion for distribution of 2019 earnings has been passed by the directors' meeting on March 5, 2020, which stated that the cash dividends distributed to shareholders shall be NT\$270,841 thousand, i.e. cash dividend at NT\$4.1 per share. The motion is now pending resolution by the general shareholders' meeting in 2020

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

The Company's motion for distribution of 2019 earnings has been passed by the directors' meeting on March 5, 2020. Since the dividends will be distributed in the form of cash dividends in whole, no effect would be produced on the Company's EPS in the current year.

(VIII) Remuneration to employees, directors and supervisors

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

According to the resolution made by the shareholders' meeting subsequently, if there is any discrepancy between the amount allocated actually and the estimated amount of the employees' bonus and remuneration to directors and supervisors, it shall be identified as a change in estimation and stated as the income in 2020.

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

Not applicable, as the motion for distribution of the Company's 2019 earnings has been passed by the directors' meeting on March 5, 2020 and there was no discrepancy from the estimated amount for the fiscal year in which these expenses were recognized.

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

Not applicable, as the motion for distribution of the Company's 2019 earnings has been passed by the directors' meeting on March 5, 2020 and no stock dividend was allocated to employees.

4. The actual distribution of bonus to employees and remuneration to directors and supervisors for the previous fiscal year (with an indication of the number of

shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employee, directors and supervisors, the discrepancy, its cause, and the status of treatment shall also be disclosed: The motion for distribution of remuneration to employees, directors and supervisors in 2019 has been passed by the directors' meeting and shareholders' meeting, and there was no discrepancy from the actual distribution and estimated amount.

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

II. Status of corporate bonds: None.

III. Status of preferred stock: None.

IV. Status of overseas depository receipts: None.

V. Status of employee stock options: None.

VI. Status of new restricted stock awards: None.

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

VIII. Implementation of capital utilization plan:

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

Five. Overview of Operations

I. Operations

(I) Description of business

1. Scope of business

(1) Major lines of business

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

(2) Proportion of major products

Unit: NT\$ thousand

Products	2018		2019	
	Amount	Proportion (%)	Amount	Proportion (%)
PVC flooring	2,979,348	100.00	3,468,163	100.00

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

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

(4) New products (services) planned for development

New products	Notes
Anti-contraction Glue-free anti-slip floor tile	Adding the galss fiber into backing layers of original Glue-free anti-slip floor tile ,it would reduce 60% contraction rate under the temperature 10-20C degree and also solve the gape problem in high latitude country during winter ° By enhancing the backing layer material ,the SPC could meet the ASTM F1914 gape regulation .
Lightly SPC lock-type floor	Cause SPC high intensity, current SPC product weight is heavy.The heavy SPC would increase difficulty to transporation and setup. According to request from clients,at least 20% SPC weight would be reduced °

2. Overview of Industry

(1) Current status and development of the industry

① Overview of industry

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

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

The sheet plastic flooring is used as the indoor flooring of houses and buildings. The sources of the main business are completed new construction projects and decoration of readily available houses. The application thereof may be extended to the residential and commercial markets. Those for residential purpose value appearance and convenience of installation more, while those for commercial purpose highlight wear-resistance, scratch-resistance and heat-resistance, et al. In the past, the unsatisfactory production technology of plastic flooring resulted in the remarkable variance between the plastic flooring and the wood, stone and ceramic tiles used in the traditional decoration work in style and quality. Therefore, users had reservations about the new flooring materials. Notwithstanding, with the improvement on production method, fabrics and printing technology, the simulation of plastic flooring has been improved remarkably. In addition to such visual effects as wood-look pattern, marble-look pattern, and metal-look pattern, the floor surface can also be embossed to produce such touching sense and 3D effects as water wave embossing, registered embossing and bumpy embossing and, therefore, is become acceptable to users gradually. Because the PVC flooring provides such characteristics as easy cleaning, wear-

resistance and scratch-resistance, and non-combustion-supporting, they may satisfy the smoke prevention effect recognized by the international standards only if they are made from special formula and under special production process, and become the main fireproof flooring. Meanwhile, because of the convenient construction, they may meet the malls' need for shortening the construction period for renovation work. Therefore, the PVC flooring has become the flooring materials commonly installed in commercial areas.

② Current status and development of the industry

A. Current status of the industry

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

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

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

(a) European market

The sales of plastic flooring in the European market declined remarkably due to the financial turmoil in 2009. Up until 2012, the sale volume has begun to grow significantly, primarily due to the recovery of the European construction market, the increase in demand for related construction materials, and the successive release of new products for plastic flooring in the recent years resulting in the increase in consumers' selections of plastic flooring in terms of color, function and style, thereby increasing the entire sales of plastic flooring.

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

According to the statistics generated by the European Patent Office, as Europe is promoting the reduction of energy consumption

and carbon footprints, remodeling of the buildings in the region has been the first priority. In the next few years, massive buildings are scheduled to be renovated. After the EU's stricter environmental policy takes effect in 2020, more than hundreds of buildings will be constructed or renovated. It is expected that the green building market scale in Europe will amount to EUR14 billion in 2020.

(b) US Market

The main flooring materials in the US market are categorized into carpets, solid wood, ceramic, wear-resistant laminate, plastic flooring, stone and other flexible flooring. According to the statistics made by FCW magazine, the sales of US plastic flooring in 2016-2019 were USD 1.87 billion, 2.397 billion, 3.43 billion and 4.5 billion, respectively. Among them, the plastic flooring accounted for 7.6% of the US overall flooring materials in 2016, which grew to 12.65% in 2018. In addition, according to 2020 report from Catalina Research, the growth rate in the next 5 years will be 6.5%~7% and the sales of LVT can reach USD 6.8 in 2025. In addition to advances in materials, fabrics and printing technologies, which resulted in huge advances in wear-resistance, appearance and texture, the sheet plastic flooring is also equipped with the features of convenient transportation, tailoring and easy installations, which satisfy the needs of saving high labor costs and DIY style in European and American countries.

(c) Taiwan market

Affected by the global financial crisis, Taiwan's economic growth rate was negative in 2009. Since then, various countries have relied on their own fiscal policies to relieve themselves from the financial crisis. In 2010, the economy grew remarkably. Notwithstanding, since 2011, the impact of the European debt crisis weakened the demand for imports from Taiwan by such advanced economies as Europe and the USA and, thereby, resulted in the decline of economic growth in Taiwan in the same year.

Since 2012, the economy in the new economies in Europe has recovered sluggishly, while the economy in the USA has recovered strongly and that in the mainland China remained growing drastically. As a result, the economy in Taiwan shows the positive growth. According to the statistics generated by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate was 3.77% in Taiwan in 2014; notwithstanding, since 2015, due to the weakening global economy, slowdown in the global demand for electronic products, supply chain competition in Mainland China and continuing oil price decline, the export growth was suppressed.

Therefore, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan forecast that economic growth rate will be 0.85% in 2015, and 1.06% in 2016, better than that in 2015, primarily due to the economic recovery in the advanced economies; notwithstanding, the energy and raw materials prices still stayed low. There was the significant downside risk over the emerging market's development and the risk over emerging of supply chain in Mainland China still existed, the overall economic activity grew mildly in Taiwan in 2016.

According to the “domestic sales value (including indirect export)” indicated in the statistics of industrial products by the Department of Statistics, Ministry of Economic Affairs and ” the Value of Imports-391810- a roll or brick-shaped plastic floor covering made of vinyl chloride polymer, whether adhesive or not” issued by Customs Administration, Ministry of Finance, the total sales of plastic flooring were about NT\$1.26 billion in the Taiwan market, *i.e.* 1.41% of the sales of the global plastic flooring market in 2015.

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

(d) China market

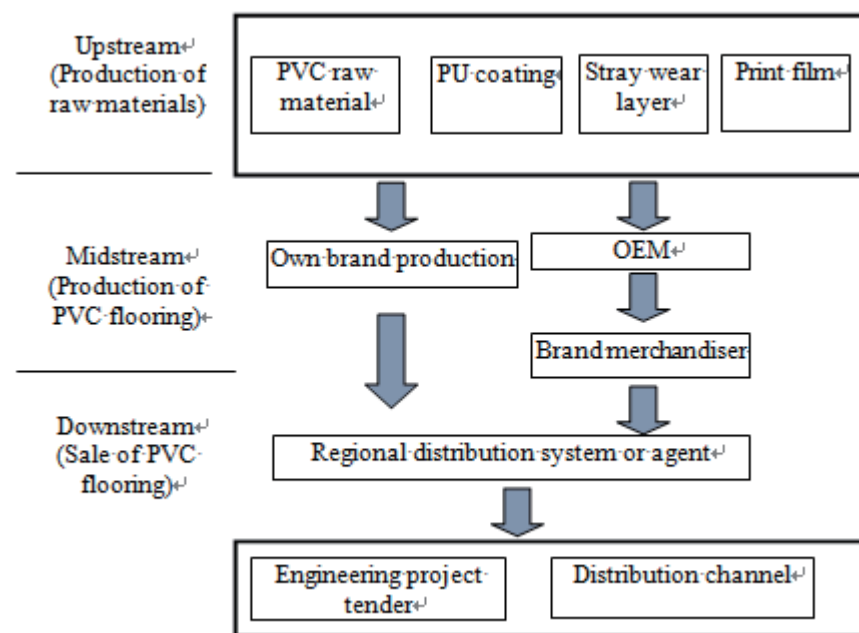
It appears to grow rapidly in the sales of residential, office and commercial property in the real property market of Mainland China, primarily due to China's continuing urbanization development, which in turn drives the demand for real property for residential and commercial purposes.

The plastic flooring market of the mainland China has opened up its visibility since 2008 step by step, primarily the adoption of massive high-quality plastic flooring for the Beijing Olympics, thereby enhancing the recognition and acceptance of plastic flooring by the consumers in Mainland China, driving the demand in the plastic flooring market and upgrading the market share of plastic flooring materials in the market for office, store and residential areas. Meanwhile, Mainland China is identified as the second largest economy in the world, which provides a large domestic demand market.

The development of plastic flooring is only starting in the China market. Notwithstanding, with the improvement of the plastic flooring manufacturing technology, the market share of plastic flooring is expected to increasingly grow.

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

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



(3) Development trends for the Company's products

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

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

- ② Development of emerging market

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

③ Introduction of new products

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

④ Development of new technology

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

⑤ Application in new directions

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

⑥ Promotion of policies in various countries

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

(4) Status of competition

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

Company name	Major production location	Scope of competition	Remarks
Zhang Jia Harbor City Yihua	China	Private brand in China market	Unlisted

Plastic Co., Ltd.		OEM of US and European markets	
Shanghai Jinjia Building Material Technology Co., Ltd.	China	OEM of US and European markets	Unlisted
China Floors	China	Private brand in China market OEM of US and European markets	Unlisted
Novalis International	China	Private brand in China market OEM of US and European markets	Unlisted
Vertex Group	China	Private brand in China market OEM of US and European markets	Unlisted
LG Hausys	Korea	Private brand in China market	Note
Nox Corp.	Korea	OEM of US and European markets	Unlisted

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

Note: LG Hausys is a Korean listed company with stock code 108670.KS. Its product range includes doors, windows, floors, surface materials of furniture, materials of home appliances' surface and IT, car assessor materials, etc. 2019 operating income and net profit after tax of LG Hausys is 3,186 billion won and 11 billion won, which are around NT\$88 billion and NT\$0.3 billion, respectively. In addition, it did not disclose its proportion of operating income on floor materials in public information.

3. Overview of technology and R&D

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

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

The Company believes that "Quality is the soul of products and R&D is the

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

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

Unit: NT\$ thousand; %

Item	Year 2018	Year 2019	2020 Q1
R&D expenses (A)	8,642	4,147	573
Consolidated operating revenue, net (B)	2,979,348	3,468,163	632,426
(A)/(B)	0.29	0.12	0.09

(3) Technologies or products successfully developed

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

Time	Technologies or products successfully developed
2012	Novel environmental protection paper floor/ three-dimensional pattern PVC floor/NON- Phthalate environmental protection floor/PUR high scratch-resistant and chemical-resistant floor
2013	Micro-glue floor/large rounded floor molding technology development
2014	GF fiberglass composite floor/lock-type floor (Note)/paper floor
2015	WPC/PVC composite lock-type floor (Note)/Non-PVC (PP) environmental protection floor/reusable magic sticker floor

2016	Commercial fire-resistant level non-PVC (PP) environmental protection floor Commercial flame-resistant level non-PVC (PP) environmental protection floor (The only one plastic floor product which receives the Green Tag for green construction materials in Taiwan.) Anti-static level non-PVC (PP) environmental protection floor WPC PLUS (commercial level WPC) Plastic floor with carpet looking
2017	Cigarette butt-resistant floor Stain-resistant/scratch-resistant floor
2018	Flame-resistant high-viscosity adhesive wall materials Glue-free anti-slip floor tile Magnetic wall materials Rounded angle floor tile Flexible floor tile SPC floor tile
2019	Anti-contraction Glue-free anti-slip floor tile Lightly SPC lock-type floor

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

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

(1) Short-term business development plan:

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

(2) Long-term business development plan:

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

- ④ Integrate the Company's resources and aim to set up business locations in the world and the Greater China market to expand the Company's operating and niche scale.

(II) Overview of market and production and marketing

1. Analysis of market

(1) Geographic areas where the main products are sold

Unit: NT\$ thousand; %

Territory	Year 2018		Year 2019		2020 Q1	
	Sales	Ratio	Sales	Ratio	Sales	Ratio
Taiwan	213,548	7.17%	212,482	6.13%	33,207	5.25%
Europe	1,492,620	50.10%	2,054,357	59.23%	389,489	61.6%
North America	649,099	21.79%	525,524	15.15%	101,287	16%
China	336,820	11.31%	415,128	11.97%	40,263	6.37%
Others	287,261	9.64%	260,672	7.52%	68,180	10.78%
Total	2979,348	100%	3,468,163	100%	632,426	100%

(2) Market share

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

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

① Changes in potential demand and growth of the market

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

and can reach sales volume of USD 6.8 billion sales in 2025.

② Changes in potential supply and growth of the market

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

(4) Competition niche

① Excellent and uniform product quality

The Company's product quality not only surpasses the certification by customers but also remains uniform in the case of mass production. The product quality is one of the Company's major competitive strengths. Since the plastic sheet floor is made of multiple sheet flooring materials, the inconsistent product quality or inequivalent registered embossing, if any, might cause the customers to identify the product as being defective and claim for a return of goods or compensation therefor. The Company has experience in mass production for more than 3 decades. By adjusting the formula and production process and stabilizing the properties and uniformity of product, the plastic flooring produced in different batches may remain consistent in quality and appearance, and the product quality is thoroughly recognized by international customers.

② Complete production equipment and strength in production capacity

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

③ Experience in production and high automation degree

The Company has been engaged in developing the business in the

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

④ Obtain multiple certifications and create market access threshold

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

⑤ Highly systematic logistic management

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

⑥ Excellent ability in research and development and improved production process

The Company has set up the R&D Department. Its R&D orientations may be categorized into functional innovation and materials innovation, the two major types. The functional innovation is primarily intended for the development of new functions of the sheet plastic floor, e.g. the loose lay flooring, sound-absorbing flooring, anti-bacterial flooring and conductive flooring, et al. which were developed successfully. The

material innovation is intended for the development of materials other than PVC or new products made of PVC combined with other different materials, e.g. PP plastic flooring, WPC plastic wood flooring, and glue-free flooring, et al. The Company also set up the Technology Department responsible for improving the production process and cutting production costs of the Company and performing such functions as development of new products, test of mass production process and technology transfer. Through the cooperation of R&D Department and Technology Department, the Company develops new products successfully and achieves the ability of mass production. The Company plans the orientation of new product development to satisfy the end users' needs, and also releases new products to create customers' needs to enable the new products to be one of the Company's growth momentums.

⑦ Appearance design service

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

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

① Positive factors

A. Market opportunities created under national policies

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

B. Increasing acceptance of plastic flooring by end users

Following the improvement of technology and handcraft, the sheet plastic flooring overcome such defects as disordered texture, old patterns, and confused colors and are processed through aesthetic

design and precision handcraft, as well as strict quality control and production management, into some unique artworks, thereby turning the public impression about the cheap and low-end flooring upside down. As a result, the end users' acceptance of plastic flooring is increasing.

C. Environmental protection issues catch the world's eyes

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

D. Development of new products and expansion of application range

The application range of sheet plastic flooring is extended from the residential market of decorative aesthetics to the commercial market. Given the successful development of new products in the recent years, the various value-added functions have been upgraded, so as to develop the application range of plastic flooring effectively. For example, the anti-slip tiles, which have been developed successfully, can reduce the chances for slipping and getting hurt for consumers and thereby reduce the dispute against which damages are claimed and, therefore, are widely used by the suppliers in Europe and the USA. The improvements in technology and handcrafting make it possible to provide more colorful plastic flooring products helpful for designers to conceive more creative ideas and thereby make the plastic flooring more popular. The successful development of the products with new functions, new materials or new colors will be help the Company's sales growth effectively.

② Negative factors

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

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

super wear-resistant wood flooring materials, access the market for plastic flooring too.

Response to such factors

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

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

B. Raw materials price fluctuation

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

Response to such factors

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

and feed the reduction back to downstream customers to create a win-win situation for the Company and its customers.

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

C. Threat from Free Trade Agreement

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

Response to such factors

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

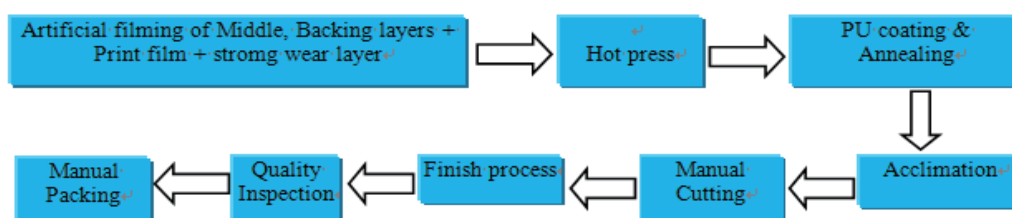
2. Important purpose and production processes for main products

(1) Important purpose of main products

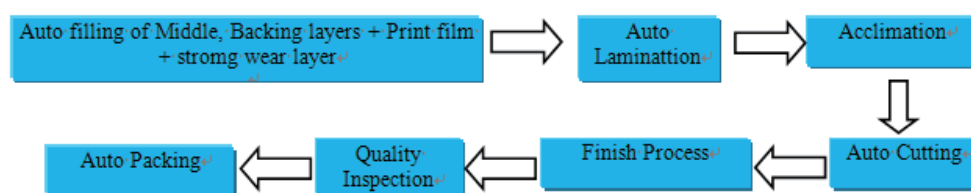
By Product	Notes to purpose
Luxury Vinyl Tile	The flooring materials applied to construction or decoration.

(2) Production processes for main products

A. Hot Press



B. Automatic lamination



3. Supply of the main raw materials

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

4. List of principal suppliers and clients

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

Item	Year 2018				Year 2019				2020 Q1			
	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer
1	HSIUNG STAR	304,927	18.73	None	HSIUNG STAR	399,971	22.60	None	HSIUNG STAR	68,687	22.02	None
2	Shanghai Dachang	251,841	15.47	None	Shanghai Dachang	249,421	14.10	None	Shanghai Dachang	44,374	14.22	None
3									Zhuhai UPC	31,925	10.23	None
	Others	1,070,906	65.80		Others	1,120,110	63.30		Others	167,001	53.53	
	Net procurement amount	1,627,674	100.00		Net procurement amount	1,769,502	100.00		Net procurement amount	311,987	100.00	

Notes:

① Shanghai Dachang

The overall net purchase in the orders of 2019 increased. Dachang maintained its rank in the second place.

② HSIUNG STAR

Given the higher cost for Sunu, it is impossible to reduce the price. In 2019, the Company turned to adopting the transparent materials for domestic sales in whole. Therefore, the net procurement amount from HSIUNG STAR increased and kept being in the 1st place (plan to find other vendors as backup).

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

Unit: NT\$ thousand

Item	Year 2018				Year 2019				2020 Q1			
	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer	Name	Amount	To the annual net sale amount (%)	Relationship with the issuer
1	Company A	982,606	32.98	None	Company A	1,333,452	38.45	None	Company A	259,127	40.97	None
2	Company C	461,118	15.48	None	Company C	680,367	19.62	None	Company C	121,862	19.27	None
	Others	1,535,624	51.54	-	Others	1,454,344	41.93	-	Others	251,437	39.76	-
	Net sale amount	2,979,348	100.00	-	Net sale amount	3,468,163	100.00	-	Net sale amount	632,426	100.00	-

Notes:

① Company A

Company A is a subsidiary wholly owned by Company K directly, responsible for developing and selling the vinyl sheets and sheet plastic flooring of Company K in part of European market. Among the other things, the sheet plastic flooring refers to the high-end series sheet plastic flooring.

Company C is a subsidiary directly held 100% by Corporate Group K, who mainly conducts brand management for Corporate Group K in European market, produces coil materials for plastic floors and managing the sales channel of local markets and the sales outside the European region.

Company A and Company C did not adjust the inventory level in 2019 as in 2018. The overall inventory strength of European customers in 2019 is strong. They made adjustments through the strategies of double product, LVT and SPC, to stand firmly in the commercial market and expand their sales in household market. As a result, there is a huge rise in the annual net sales in 2019 accounted for the annual net sales in other years.

Since the coronavirus outbreak in Q1 2020, the trading in China is light with greatly reduced percentage of revenue due to the lockdown while the trading in European market is relatively stable, presenting relative increase in the net sales of Q1 2020.

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

Unit: Thousand pings; NT\$ thousand

Year Main product	Year 2018			Year 2019			2020 Q1		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Plastic flooring	8,705	5,363	2,525,623	8,705	5,713	2,646,990	2,450	1,013	465,157

Analysis on changes:

The production volume of the Company in 2019 has increased compared to 2018. This is mainly because the Customers' adjustment in inventory in 2019 have been completed and European customers have increased their stocking and order amount. Hence, the capacity utilization is enhanced, resulting in an increase in production volume.

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

Unit: Thousand pings; NT\$ thousand

Year Main product	Year 2018				Year 2019			
	Domestic sale (Note)		Export		Domestic sale (Note)		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Plastic flooring	-	-	5,166	2,979,348	-	-	5,652	3,468,163

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

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

Unit: Persons

Year		2018Year End	2019Year End	March 31, 2020
Number of employees	Managers	8	8	9
	Production line employees	474	593	560
	General employees	339	265	258
	Total	821	866	827
Average age (years old)		39.27	39.65	41.4
Average service seniority (years)		4.94	4.78	5.18
Academic background	Doctor	0.00%	0.00%	0.12%
	Master	1.22%	1.39%	1.82%
	University/college	17.42%	17.67%	17.05%
	Senior high school	17.05%	17.67%	18.86%
	Senior high school below	64.31%	63.27%	62.15%

(IV) Information about environmental protection expenditure

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

There was no punishment or penalty raised due to violation of environmental protection regulation and other breach during 2019 ~ Q1, 2020.

The waste emission license is stopped to issue in Guangdong Province, China and all of them were changed to National Waste Emission Certificate; as a result of the local policy and national policy failing to bridge it in time, there are no

companies obtaining all newer versions of waste emission certificates yet now.

By company	Permit
Dongguan Prolong	Pollutant discharge permit of Guandong Province (Permit No.: 4419512012000025)
Dongguan MeiJer	Pollutant discharge permit of Guandong Province (Permit No.: 4419002012000279)

(V) Labor relations

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

(1) Employee benefit plans

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

(2) Continuing education and training

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

(3) Retirement systems and the status of their implementation

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

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

The Company and its subsidiaries are used to valuing the employees' opinion, actively promote the democratic management and public disclosure of facility affairs, and convene employee representatives' meetings as scheduled. The employees' opinions may be communicated and negotiated via relevant channels to maintain the fair labor-management relationship. So far, no major labor-management disputes have taken place.

2. List any losses sustained as a result of labor disputes in the most recent two years and until the date of publication of the annual report and disclose an estimate of losses

incurred to date or likely to be incurred in the future and countermeasures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible:

Dongguan Prolong and Dongguan MeiJer have paid relevant expenses of RMB 8,499 and RMB 205,066 respectively to employees due to labor disputes. The relevant labor disputes have been closed and have no significant adverse impact on the Company.

In 2019 and as of the date of printing the prospectus: None

(VI) Important contracts

Name of the contract	Contracting party	Concerned party	Duration of contract	Main contents	Nature of contract
Financial Contract	OPULENT INTERNATIONAL	CitiBank Taiwan	2013/6/13 ~until now	General agreement for banking transactions	Financial Contract
Financial Contract	Taiwan MJ	CitiBank Taiwan	2019/12/5 ~until now	General agreement for banking transactions	Financial Contract
Financial Contract	Taiwan MJ	CitiBank Taiwan	2019/12/5 ~until now	Commitment to provide guarantee	Financial Contract
Financial Contract	OPULENT INTERNATIONAL	CitiBank Taiwan	2016/4/28 ~until now	Letter of gurantee	Financial Contract
Financial Contract	Cayman MJ	CitiBank Taiwan	2017/12/21 ~until now	Letter of continuing guarantee (To OPULENT INTERNATIONAL Branch Office)	Financial Contract
Financial Contract	Cayman MJ	CitiBank Taiwan	2017/12/21 ~until now	Letter of continuing guarantee (To OPULENT INTERNATIONAL)	Financial Contract
Financial Contract	OPULENT INTERNATIONAL	CitiBank Taiwan	2019/12/5 ~until now	Letter of continuing guarantee (To Taiwan MJ)	Financial Contract
Financial Contract	OPULENT INTERNATIONAL	CitiBank Taiwan	2019/12/9 ~until now	Facility letter	Financial Contract
Financial Contract	OPULENT INTERNATIONAL Branch Office	CitiBank Taiwan	2019/12/9 ~until now	Facility letter	Financial Contract
Financial Contract	Taiwan MJ	CitiBank Taiwan	2019/12/9 ~until now	Facility letter	Financial Contract
Financial Contract	OPULENT INTERNATIONAL	CitiBank Taiwan	2019/12/27 ~until now	Notice for non-committed foreign exchange & derivatives trading limit	Financial Contract
Financial Contract	OPULENT INTERNATIONAL Branch Office	CTBC Bank (Taipei)	2018/7/20-2020/1/30	General Agreement for Omnibus Credit Lines	Financial Contract
Financial Contract	OPULENT INTERNATIONAL	Standard Chartere Bank, Taipei Branch	2019/10/5 ~until now	Application for Utilization of Credit Line (UNCOMMITTED)	Financial Contract
Sales Contract	Taiwan MJ	Company K	2005/2/20~ Terminated upon both parties' agreement	OEM for plastic flooring under brand owned by customer	Confiden tiality Agreeeme nt

Sales Contract	Taiwan MJ	Company E	2011~ Terminated upon both parties' agreement	OEM for plastic flooring under brand owned by customer	Confidentiality Agreement
Financial Contract	OPULENT INTERNATIONAL	Standard Chartered Bank, Taipei Branch	2017/8/33~until now	TREASURY FACILITIES	Financial Contract
Financial Contract	OPULENT INTERNATIONAL Branch Office	Taipei Fubon Commercial Bank, Taipei Branch	2018/11/20~until now	General Agreement for Credit Lines	Financial Contract
Patent Contract	Dongguan Prolong / Dongguan MJ	Valinge Innovation AB	2013/03/22~2057/01/31	Agreement for License of Lock-Type Tiles	Confidentiality Agreement
Sales Contract	Taiwan MJ	Sing Cheng Lin Co., Ltd.	2020/01/01~2020/12/31	OEM & Supply Agreement	None
Sales Contract	Taiwan MJ	Fu Ming Corporate	2020/01/01~2020/12/31	OEM & Supply Agreement	None
Patent Contract	Dongguan Prolong / Dongguan MJ	Valinge Innovation AB	2013/03/22~2025/05/01	Agreement for License of Lock-Type Tiles	Confidentiality Agreement
Insurance Contract	OPULENT INTERNATIONAL Branch Office	The Export-Import Bank of the Republic of China	2019/12/30~2020/12/30	Insurance for accounts receivable	None
Insurance Contract	Dongguan Prolong/ Dongguan MJ	China Pacific Insurance Co., Ltd.	2019/12/27~2020/12/26	Insurance for property, plant and equipment and inventory	None
Insurance Contract	Taiwan MJ	Hotai Insurance Co., Ltd.	2019/10/10~2020/10/10	Insurance for property, plant and equipment and inventory	None
Insurance Contract	Shanghai MJ	China Pacific Insurance Co., Ltd.	2019/12/27~2020/12/26	Property, plant and equipment	None
Insurance Contract	Beijing MJ	China Pacific Insurance Co., Ltd.	2019/12/27~2020/12/26	Property, plant and equipment	None
Insurance Contract	Chongqing MJ	China Pacific Insurance Co., Ltd.	2019/12/27~2020/12/26	Property, plant and equipment	None
Insurance Contract	Wuhan MJ	China Pacific Insurance Co., Ltd.	2019/12/27~2020/12/26	Property, plant and equipment	None

Six. Financial Position

I. Condensed financial information for the most recent five years

(I) Condensed balance sheet and income statement

1. Consolidated balance sheet

Unit: NT\$ thousand

Item	Year	Condensed financial information for the most recent five years					Financial information ended on March 31, 2020 (Note 2)
		Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	
Current assets		1,890,736	2,882,757	2,783,394	2,604,307	2,578,382	2,423,471
Property, Plant and Equipment		787,581	759,639	736,178	989,331	1,522,937	1,486,600
Intangible Assets		3,520	2,063	4,435	2,416	39,064	36,919
Other assets		162,281	104,779	397,550	172,807	246,418	251,924
Total assets		2,844,118	3,749,238	3,921,557	3,768,861	4,386,801	4,198,914
Current liabilities	Before distribution	847,515	938,623	1,235,071	1,277,245	1,742,539	1,808,413
	After distribution	1,211,573	1,401,036	1,631,425	1,475,422	(Note1)	(Note1)
Non-current liabilities		188,123	187,309	116,142	54,506	22,456	22,074
Total liabilities	Before distribution	1,035,638	1,125,932	1,351,213	1,331,751	1,764,995	1,830,487
	After distribution	1,399,696	1,588,345	1,747,567	1,529,928	(Note1)	(Note1)
Equity attributable to owners of the parent		1,808,480	2,623,306	2,570,344	2,437,110	2,591,880	2,341,681
Capital stock		587,190	660,590	660,590	660,590	660,590	660,590
Capital surplus		537,514	1,205,967	1,205,967	1,205,967	1,205,967	1,205,967
Retained earnings	Before distribution	511,268	717,011	749,315	650,599	853,211	645,032
	After distribution	147,210	254,598	352,961	452,422	(Note1)	(Note1)
Other equity		172,508	39,738	(45,528)	(80,046)	(127,888)	(169,908)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	29,926	26,746
Total equity	Before distribution	1,808,480	2,623,306	2,570,344	2,437,110	2,621,806	2,368,427
	After distribution	1,444,422	2,160,893	2,173,990	2,238,933	(Note1)	(Note1)

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

Note 2: The consolidated financial statements of Q1 in 2020 reviewed by the independent external auditor is adopted.

2. Condensed income statement

Unit: NT\$ thousand

Item \ Year	Condensed financial information for the most recent five years					Financial information ended on March 31, 2020 (Note)
	Year2015	Year2016	Year2017	Year2018	Year2019	
Operating revenue	3,374,554	3,511,104	3,684,253	2,979,348	3,468,163	632,426
Gross profit	923,001	1,046,801	931,140	645,476	891,547	157,502
Operating profit	512,059	648,395	543,134	258,179	438,782	64,854
Non-operating revenue and expense	49,851	63,407	(26,534)	56,524	18,902	15,536
Net profit before tax	561,910	711,802	516,600	314,703	457,684	80,390
Net profit from continuing operations	436,651	569,801	494,717	310,436	402,334	60,359
Loss from discontinued operation	-	-	-	-	-	-
Net profit(loss)	436,651	569,801	494,717	310,436	402,334	60,359
Other current comprehensive income (net after tax)	(21,727)	(132,770)	(85,266)	(47,316)	(48,681)	(42,896)
Total current comprehensive income	414,924	437,031	409,451	263,120	353,653	17,463
Net profit attributable to owners of the parent	436,651	569,801	494,717	310,436	402,465	62,663
Net profit attributable to non-controlling interest	-	-	-	-	(131)	(2,304)
Total comprehensive income attributable to owners of the parent	414,924	437,031	409,451	263,120	354,623	20,643
Total comprehensive income attributable to non-controlling interest	-	-	-	-	(970)	(3,180)
EPS	7.44	9.50	7.49	4.70	6.09	0.95

Note: The consolidated financial statements of Q1 in 2020 reviewed by the independent external auditor is adopted.

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

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

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

II. Financial analysis

Unit: %

Analysis items (Note 2)		Financial analysis for the most recent five years					Ended on March 31, 2020 (Note 1)
		Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	
Financial structure	Ratio of liabilities to assets	36.41	30.03	34.46	35.34	40.23	43.59
	Ratio of long-term capital to property, plant and equipment	229.62	345.34	349.15	246.34	172.15	159.32
Solvency	Current ratio	223.09	307.13	225.36	203.90	147.97	134.01
	Quick ratio	190.82	267.13	199.11	168.96	117.91	106.30
	Interest coverage ratio	180.07	685.43	210.32	62.30	84.52	32.60
Operating ability	Receivable turnover (counts)	3.08	3.52	3.65	2.95	3.43	2.51
	Average days for cash receipts	118	104	100	124	106	145
	Inventory turnover (counts)	10.55	9.95	10.01	7.36	6.62	4.51
	Payables turnover (counts)	7.30	5.65	6.38	5.89	6.3	6.57
	Average days for sale of goods	35	37	37	50	55	81
	property, plant and equipment turnover (counts)	4.44	4.62	4.93	3.01	2.28	1.70
	Total assets turnover (counts)	1.12	1.07	0.96	0.77	0.85	0.63
Profitability	Return on assets (%)	14.60	17.31	12.95	8.18	9.97	5.81
	Return on equity (%)	24.59	25.71	19.05	12.40	15.91	9.68
	Ratio of income before tax to paid-in capital (%) (Note 6)	95.69	114.09	78.20	47.64	69.28	48.68
	Net profit ratio (%)	12.94	16.23	13.43	10.42	11.6	9.54
	EPS (NT\$)	7.44	9.50	7.49	4.70	6.09	0.95
Cash flow	Cash flow ratio (%)	72.02	76.50	6.36	38.02	15.24	1.79
	Cash flow adequacy ratio (%)	138.11	136.80	128.51	121.22	76.31	62.59
	Cash reinvestment ratio (%)	10.30	10.46	(11.60)	2.81	2.04	(4.57)
Leverage	Operating leverage	1.20	1.14	1.14	1.42	1.31	1.67
	Financial leverage	1.01	1.00	1.00	1.02	1.01	1.04

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

1. The percentage of long-term fund accounted for real estate, plant and equipment: It was mainly caused by newly purchased the land for new plant in Tainan in 2019, increasing real estate, plant and equipment, dropping down the percentage of long-term fund accounted for real estate, plant and equipment than that in 2018.
2. Current ratio and quick ratio: It was mainly caused by increased mortgage of land for the new plant in Tainan in 2019, dropping down the current ratio and quick ratio.
3. Interest Protection Multiples: It was mainly caused by increased net gain in 2019, increasing the interest protection multiples more than that in 2018.
4. Real estate, plant and equipment turnover: It was mainly caused by newly purchased the land for new plant in Tainan in 2019, dropping down the turnover of real estate, plant and equipment than that in 2018.
5. Return on assets and return on equity and: It was mainly caused by net profit after tax in 2019 went up and more than that in 2018, increasing more return on assets and return on equity than that in 2018.
6. Net profit before tax to paid-up capital ratio: It was mainly caused by rising net profit before tax, increasing more net profit before tax to paid-up capital ratio than that in 2018.
7. Earnings per share: It was caused by increased revenue and gross margin in 2019, increasing net profit margin more than that in 2018; the increased net profit after tax increased the earnings per share more than that in 2018.
8. Cash flow ratio and cash reinvestment ratio: It was mainly caused by reduced net cash inflow among business activities in 2019, making the cash flow ratio and cash reinvestment ratio less than that in 2018.
9. Net Cash Flow Allowance Ratio: It was mainly caused by dropped net cash inflow among business activities in 2019 and increased cash outflow for capital expenditure of land, making the net cash flow allowance ratio less than that in 2018.

Note 1: The consolidated financial statements of Q1 in 2020 audited by the independent external auditor is adopted.

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

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

6. Leverage:

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

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

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

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

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

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

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

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

III. Audit Committee's Audit Report

M. J. International Co., Ltd.

Review Report from the Audit Committee

This report is to certify that the Company's 2019 business report, financial statement and the motion for allocation of earnings were prepared and submitted by the Company's Board of Directors, and the financial statement contained therein were already audited by Deloitte Taiwan, which also issued an audit report containing unqualified opinions. The Audit Committee, after completing the review on said reports and statements prepared and submitted by the Board of Directors, believes that they are free of material misstatements and thus has submit this report according to Article 14-4 of the Securities and Exchange Act and 219 of the Company Act.

Please review accordingly.

To:

2020 Annual General Shareholders' Meeting of M. J. International Co., Ltd.

M. J. International Co., Ltd.

Chairman of Audit Committee:

Lin Chiang-Liang

March 5 2020

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

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Our audit procedures performed included the following :

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 280,800	6	\$ 666,079	18
Financial assets at fair value through profit or loss (Notes 4 and 7)	336,684	8	58,469	2
Financial assets at fair value through other comprehensive income				
-current (Notes 4, 5, 8, 9 and 34)	350,515	8	429,183	11
Notes receivable (Notes 4, 5, 10 and 25)	2,440	-	9,003	-
Notes receivable - related parties (Notes 4, 5, 22 and 30)	765	-	425	-
Trade receivables (Notes 4, 5, 11 and 22)	1,001,911	23	922,870	25
Trade receivables - related parties (Notes 4, 5, 22 and 30)	48,340	1	37,136	1
Other receivables (Notes 4 and 10)	32,510	1	34,931	1
Current tax assets (Notes 4 and 27)	639	-	-	-
Inventories (Notes 4 and 12)	422,122	10	356,631	9
Other current assets - others (Notes 16 and 17)	101,656	2	89,580	2
Total current assets	<u>2,578,382</u>	<u>59</u>	<u>2,604,307</u>	<u>69</u>
Non-current assets				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5, 8 and 9)	28,903	1	26,612	1
Property, plant and equipment (Notes 4 and 14)	1,522,937	35	989,331	26
Right-of-use assets (Notes 3,4 and 15)	70,712	1	-	-
Investment properties (Notes 4 and 16)	45,762	1	-	-
Goodwill (Notes 4,17 and 29)	8,795	-	-	-
Other intangible assets (Notes 4 and 15)	39,064	1	2,416	-
Deferred income assets (Notes 4 and 24)	5,406	-	4,036	-
Long-term prepayments for leases (Note 16)	-	2	54,761	2
Other non-current assets (Notes 4, 17 and 31)	86,840	2	87,398	2
Total non-current assets	<u>1,808,419</u>	<u>41</u>	<u>1,164,554</u>	<u>31</u>
Total assets	<u>\$ 4,386,801</u>	<u>100</u>	<u>\$ 3,768,861</u>	<u>100</u>
Liabilities and equity				
Current liabilities				
Short-term borrowings (Notes 4, 21 and 34)	\$ 944,000	22	\$ 474,000	13
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	4	-
Contract liabilities - current (Notes 4 and 25)	42,952	1	31,588	1
Trade payables	351,956	8	465,965	12
Other payables (Notes 22 and 30)	318,587	7	268,985	7
Current tax liabilities (Notes 4 and 27)	63,340	2	18,363	1
Provisions - current (Notes 4 and 22)	14,788	-	16,219	-
Lease liabilities - current (Notes 3, 4 and 15)	6,207	-	-	-
Other current liabilities	709	-	2,121	-
Total current liabilities	<u>1,745,539</u>	<u>40</u>	<u>1,277,245</u>	<u>34</u>
Non-current liabilities				
Deferred tax liabilities (Notes 4 and 27)	8,965	-	54,506	1
Lease liabilities - non-current (Notes 3, 4 and 15)	13,133	-	-	-
Guarantee deposits	358	-	-	-
Total non-current liabilities	<u>22,456</u>	<u>-</u>	<u>54,506</u>	<u>1</u>
Total liabilities	<u>1,764,995</u>	<u>40</u>	<u>1,331,751</u>	<u>35</u>
Equity attributable to owners of the company (Note 24)				
Share capital				
Ordinary shares	660,590	15	660,590	18
Capital surplus	1,205,967	28	1,205,967	32
Retained earnings				
Legal reserve	137,496	3	106,452	3
Special reserve	80,046	2	52,462	1
Unappropriated earnings	635,669	14	491,685	13
Total retained earnings	853,211	19	650,599	17
Other equity	(127,888)	(3)	(80,046)	(2)
Total equity attributable to owners of the company	<u>2,591,880</u>	<u>59</u>	<u>2,437,110</u>	<u>65</u>
Total equity	<u>29,926</u>	<u>1</u>	<u>-</u>	<u>65</u>
Total equity	<u>2,621,806</u>	<u>60</u>	<u>2,437,110</u>	<u>65</u>
Total liabilities and equity	<u>\$ 4,386,801</u>	<u>100</u>	<u>\$ 3,768,861</u>	<u>100</u>

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

M. J. International Co., Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

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

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

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

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

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

(Continued)

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

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

M. J. International Co., Ltd. and subsidiaries
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018

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

1. GENERAL INFORMATION

M. J. International Co., Ltd. (hereinafter referred to as the “Company”) was incorporated in the Cayman Islands on October 8, 2010. The Company is the holding company that has reorganized the organizational structure for the listing of stocks on the Taiwan Stock Exchange. After the reorganization, the company became the holding company of all the merged entities. The Company’s shares have been listed on the Taiwan Stock Exchange since November 1, 2016. The Company and its subsidiaries (hereinafter referred to as the “Group”) are primarily engaged in the business of developing, manufacturing and selling LVT floors.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

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

The Group as lessee

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

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

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

The Group expects to apply the following practical expedients:

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

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

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

The Group as lessor

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the

new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

e. Business combinations

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

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

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

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

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

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary

items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

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

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

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

g. Inventories

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

h. Investments in associates

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is

depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

k. Goodwill

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

b)

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

short-term receivables is not significant, Exchange differences are recognized in profit or loss.

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in debt instruments at FVTOCI

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

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or

reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

b) Impairment of financial assets

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

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

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

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

- i) Internal or external information show that the debtor is unlikely to pay its creditors.
- ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

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

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

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in

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

o. Provisions

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

Warranties

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

p. Revenue recognition

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

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

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

q. Leases

2019

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

2018

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

The Group as lessee

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

lease term.

r. Borrowing costs

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

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

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

s. Government grants

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

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

u. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as

well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

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

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

	December 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Bank balance	0.01%~2.00%	0.01%~3.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Sell	USD/RMB	2020.1.21	USD 2,000/RMB 14,103
<u>December 31, 2018</u>			
Sell	USD/RMB	2019.1.24~2019.3.25	USD 8,500/RMB 58,988
Sell	USD/RMB	2019.1.3	USD 1,000/RMB 6,870

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

(II)

- c. The Group entered into a structured time deposit contract with Bank. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.
- d. The Group may not redeem some financial instruments earlier before the investment period expires.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

- 1) Refer to Note 9 for information relating to their credit risk management and impairment.
- 2) Refer to Note 34 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

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

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

- (a)Notes receivable and trade receivable

The average cashing days of notes receivables was 30 to 60 days. The average credit period of sales of goods was 30 to 150 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

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

December 31, 2019

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

December 31, 2018

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

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

December 31, 2019

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

December 31, 2018

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

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

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

(b) Notes receivable and trade receivable

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

11. INVENTORIES

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

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

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Remark :

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

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

- 2) FULLHOUSE INVESTMENTS LIMITED was incorporation on November 2, 2018. The Group invested USD 1,295 thousand and USD436 thousand in April and September 2019. There is still USD 345 thousand as reserve, which has not been paid.
- 3) In April and October 2019, the Group acquired 45% and 15% of the equity of Green Touch Floors Inc. with USD1,295 thousand and USD431 thousand.
- 4) On May 9, 2019, upon resolution of the board of directors of the Group, M.J. Dongguan reduced its investment in M.J. Guangzhou by RMB 12,000 thousand, and received a refund of shares in August 2019.
- 5) On May 9, 2019, the board of directors of the group decided to increase its investment by Prolong Dongguan to M.J. Beijing for RMB 3,000 thousand. After the capital increase, the capital of M.J. Beijing was RMB 12,000 thousand.
- 6) M.J. Shenyang was established and registered on May 27, 2018, and remitted capital of RMB4,000, RMB500, and RMB200 in June, October, and November 2018, respectively; Remit RMB 50 thousand in 2019.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in associates

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates that are not individually material	\$ <u> -</u>	\$ <u> -</u>

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

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

b. Aggregate information of associates that are not individually material

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

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

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

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

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	<u>December 31, 2019</u>
<u>Carrying amounts</u>	
Land	\$ 52,582
Buildings	<u>18,130</u>
	<u>\$ 70,712</u>
	<u>For the Year Ended</u>
	<u>December 31,2019</u>
Acquisitions through business combinations	<u>\$ 14,940</u>

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

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

b. Lease liabilities - 2019

	<u>December 31, 2019</u>
<u>Carrying amounts</u>	
Current	<u>\$ 6,207</u>
Non-Current	<u>\$ 13,133</u>

Range of discount rate for lease liabilities was as follows

	<u>December 31, 2019</u>
Buildings	3.55%~5%

c. Material lease-in activities and terms

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

The Group also leases 1 buildings for the use of offices and dormitory with lease terms of 5 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

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

2019

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

2018

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

	<u>December 31, 2018</u>
Not later than 1 year	\$ 4,375
Later than 1 year and not later than 5 years	<u>6,654</u>
	<u>\$ 11,029</u>

16. INVESTMENT PROPERTIES

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

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

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

	<u>December 31, 2019</u>
Year 1	\$ 3,558
Year 2	<u>2,075</u>
	<u>\$ 5,633</u>

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

Buildings 20 Years

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

	<u>December 31, 2019</u>
Fair value	<u>\$ 48,243</u>

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

17. GOODWILL

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Cost</u>		
Balance at January 1	\$ -	\$ -

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

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

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

18. OTHER INTANGIBLE ASSETS

	<u>Patents</u>	<u>Software</u>	<u>Customer Relationship</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1,2019	\$ 967	\$ 4,337	\$ -	\$ 5,304
Additions	-	438	-	438
Acquisitions through business combinations (Note29)	-	-	41,455	41,455
Effect of foreign currency exchange differences	<u>-</u>	<u>(104)</u>	<u>(1,416)</u>	<u>(1,520)</u>
Balance at December 31,2019	<u>\$ 967</u>	<u>\$ 4,671</u>	<u>\$ 40,039</u>	<u>\$ 45,677</u>
<u>Accumulated amortization</u>				
Balance at January 1,2019	(\$ 646)	(\$ 2,242)	\$ -	(\$ 2,888)
Amortization expenses	(182)	(1,640)	(2,064)	(3,886)
Effect of foreign currency exchange differences	<u>-</u>	<u>99</u>	<u>62</u>	<u>161</u>
Balance at December 31,2019	<u>(\$ 828)</u>	<u>(\$ 3,783)</u>	<u>(\$ 2,002)</u>	<u>(\$ 6,613)</u>
Carrying amounts at December 31,2019	<u>\$ 139</u>	<u>\$ 888</u>	<u>\$ 38,037</u>	<u>\$ 39,064</u>
	<u>Patents</u>	<u>Software</u>	<u>Customer Relationship</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1,2018	\$ 967	\$ 12,103	\$ -	\$ 13,070
Additions	-	549	-	549
Disposals	-	(8,469)	-	(8,469)
Effect of foreign currency exchange differences	<u>-</u>	<u>154</u>	<u>-</u>	<u>154</u>
Balance at December 31,2018	<u>\$ 967</u>	<u>\$ 4,337</u>	<u>\$ -</u>	<u>\$ 5,304</u>
<u>Accumulated amortization</u>				(Continued)

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

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

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

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

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

An analysis of depreciation by function :

	<u>For the Year Ended December 31</u>	
Selling and marketing expenses	\$ 110	\$ 768
General and administrative expenses	<u>3,776</u>	<u>1,876</u>
	<u>\$ 3,886</u>	<u>\$ 2,644</u>

19. PREPAYMENTS FOR LEASES

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets (included in other current assets-others)	\$ -	\$ 1,389
Non-current assets	<u>-</u>	<u>54,761</u>
	<u>\$ -</u>	<u>\$ 56,150</u>

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

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

20. OTHER ASSETS

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

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

21. BORROWINGS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Short-term borrowings		
<u>Secured borrowings</u>		
Bank loans (Note 34)	<u>\$ 480,000</u>	<u>\$ 150,000</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 464,000</u>	<u>\$ 324,000</u>

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

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

22. OTHER LIABILITIES

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Other payables		
Payables for salaries and (bonuses including remuneration to employees and directors)	\$ 84,856	\$ 72,055
Payables for employee benefits	38,304	34,593
Payable for gas and oil expenses	14,581	29,453
Payable for repairs maintenance	40,636	29,946
		(Continued)

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

23. PROVISIONS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Warranties	<u>\$ 14,788</u>	<u>\$ 16,219</u>
		<u>Warranties</u>
Balance at January 1,2019		\$ 16,219
Additional provisions recognized		9,824
Amount used		(10,899)
Effect of foreign currency exchange differences		(356)
Balance at December 31,2019		<u>\$ 14,788</u>

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

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2019	2018
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>
Share authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>66,059</u>	<u>66,059</u>
Share issued	<u>\$ 660,590</u>	<u>\$ 660,590</u>

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit in a fiscal year in the periods in which the Company is listed, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, an appropriation of earnings

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

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

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

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

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

	<u>For the Year Ended December 31, 2019</u>
Legal reserve	<u>\$ 40,246</u>
Special reserve	<u>\$ 47,842</u>
Cash dividends	<u>\$ 270,842</u>
Cash dividends per share (NT\$)	\$ 4.1

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

d. Other equity items

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

	<u>For the Year Ended, December 31</u>	
	2019	2018
Balance at January 1	(\$ 52,670)	(\$ 52,462)

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

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

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

e. Non-controlling interests

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

25. REVENUE

a. Contract information- Revenue from the sale of goods

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

b. Contract balances

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

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

	For the Year Ended, December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 30,373</u>	<u>\$ 20,465</u>

c. Disaggregation of revenue

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

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

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

c. Finance costs

	For the Year Ended, December 31	
	2019	2018
Interest on bank loans	\$ 5,045	\$ 5,134
Interest on lease liabilities	<u>435</u>	<u>-</u>
	<u>\$ 5,480</u>	<u>\$ 5,134</u>

d. Depreciation and amortization

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

e. Operating expenses directly related to investment properties

	For the Year Ended, December 31	
	2019	2018
Investment properties generating rental income		
Depreciation	\$ 1,582	\$ -
Others	<u>214</u>	<u>-</u>
	<u>\$ 1,796</u>	<u>\$ -</u>

f. Employee benefits expense

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

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

g. Employees' compensation and remuneration of directors and supervisors

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

Accrual rate

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

Amount

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

If there is a change in the amounts after the annual consolidated financial statements

are authorized for issue, the differences are recorded as a change in the accounting estimate.

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

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

h. Gains or losses on foreign currency exchange

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

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

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

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

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

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

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

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

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

b. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	<u>\$ 639</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 63,340</u>	<u>\$ 18,363</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Exchange Differences</u>	<u>Closing Balance</u>
<u>Deferred Tax Assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 146	(\$ 13)	\$ -	\$ 133
Inventory obsolescence and valuation loss	302	-	-	302
Unrealized gain or loss on exchange	88	184	-	272
Provisions	3,245	(215)	(71)	2,959
Refund liabilities	255	1,537	(52)	1,740
	<u>\$ 4,036</u>	<u>\$ 1,493</u>	<u>(\$ 123)</u>	<u>\$ 5,406</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Unrealized gain or loss on exchange	\$ 759	(\$ 125)	(\$ 14)	\$ 620
Investment income	45,056	(45,056)	-	-
Others	8,691	-	(346)	8,345
	<u>\$ 54,506</u>	<u>(\$ 45,181)</u>	<u>(\$ 360)</u>	<u>\$ 8,965</u>

For the year ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Exchange Differences</u>	<u>Closing Balance</u>
<u>Deferred Tax Assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 107	\$ 39	\$ -	\$ 146
Inventory obsolescence and valuation loss	257	45	-	302
Unrealized gain or loss on exchange	147	(59)	-	88
Provisions	2,948	199	98	3,245
Refund liabilities	173	75	7	255
	<u>\$ 3,632</u>	<u>\$ 299</u>	<u>\$ 105</u>	<u>\$ 4,036</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Unrealized gain or loss on exchange	\$ -	\$ 745	\$ 14	\$ 759
Investment income	107,297	(62,241)	-	45,056
Others	8,845	-	(154)	8,691
	<u>\$ 116,142</u>	<u>(\$ 61,496)</u>	<u>(\$ 140)</u>	<u>\$ 54,506</u>

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

	<u>December 31,2019</u>	<u>December 31,2018</u>
Inventory obsolescence and valuation loss	<u>\$ 58,850</u>	<u>\$ 25,625</u>

e. Income tax assessments

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

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended, December 31	
	2019	2018
Basic earnings per share		
From continuing operations	\$ <u>6.09</u>	\$ <u>4.70</u>
Diluted earnings per share		
From continuing operations	\$ <u>6.06</u>	\$ <u>4.67</u>

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

Net Profit for the Year

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

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

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

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

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

b. Consideration transferred

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

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

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

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

d. Non-controlling interests

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

e. Goodwill recognized on acquisitions

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

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

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

f. Net cash outflow on the acquisition of subsidiaries

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

g. Impact of acquisitions on the results of the Group

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

	Green Touch Floor Inc.
	<hr/>
Revenue	<u>\$ 26,691</u>
Profit	<u>\$ 1,735</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$3,572,590 thousand, and the profit would have

been \$404,745 thousand for the year ended December 31, 2019. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

30. CASH FLOW INFORMATION

a. Non-cash transactions

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

- 1) As of December 31, 2019 and 2018, the Group purchased property, plant and equipment amounting to 26,598 thousand and 705 thousand have not been paid, presented in other payables.
- 2) Aquired investment using the equity method As of December 31, 2019, there are still 10,690 thousand has not been paid presented in other payables, please refer to notes 13, 22 and 29.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

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

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

For the year ended December 31, 2018

	Opening Balance	CashFlow	Non-cash Changes	Closing Balance
			Exchange Rate Change	
Short-term borrowings	<u>\$ 608,000</u>	<u>(\$ 147,786)</u>	<u>\$ 13,786</u>	<u>\$ 474,000</u>

31. CAPITAL MANAGEMENT

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

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

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

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

32. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

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

December 31, 2018

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

The Group assesses the bid-ask spread and trading volume of fixed-income securities to determine whether they are quoted prices in active markets. Therefore, the Company categorizes the measurement of fair value of investment in foreign

debt instruments as Level 2. ◦ There were no transfers between Levels 1 and 2 in 2019 and 2018.

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

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates and contractual forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
Hybrid financial assets - 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.

c. Categories of financial instruments

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

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

d. Financial risk management objectives and policies

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

(including related parties), refundable deposits, trade payables, short-term borrowings and lease liabilities.

The financial risks over said financial instruments relating to operations include market risk (including foreign exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's financial department reports to the management periodically. The management monitors risks and implement policies ex officio to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

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

2) Credit risk

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

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

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

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

3) Liquidity risk

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

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

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans

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

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

December 31, 2019

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

December 31, 2018

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

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

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

December 31, 2018

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

c) Financing facilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank overdraft facilities		
Amount used	\$ 464,000	\$ 324,000
Amount unused	<u>365,480</u>	<u>677,309</u>
	<u>\$ 829,480</u>	<u>\$ 1,001,309</u>

Secured bank overdraft facilities		
Amount used	\$ 480,000	\$ 150,000
Amount unused	<u>14,670</u>	<u>138,721</u>
	<u>\$ 494,670</u>	<u>\$ 288,721</u>

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Sales of goods

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

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

c. Receivables from related parties

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

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

d. Compensation of key management personnel

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

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings,

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through other comprehensive income	<u>\$ 284,666</u>	<u>\$ 264,497</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant unrecognized commitments

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

2) Unrecognized commitments were as follows:

	In Thousands of RMB	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of property, plant and equipment	<u>\$ 9,925</u>	<u>\$ 32,284</u>

36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

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

December 31, 2018

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

(Continued)

	Foreign Currency (thousand)	Exchange Rate	Carrying Amount
Financial liabilities			
<u>Monetary items</u>			
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
<u>Non-monetary items</u>			
Derivative instruments			
RMB	6,870	(remark)	4

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

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

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

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Note 7 and 32)
- 10) Intercompany relationships and significant intercompany transactions (Table 7)

- 11) Information on investees (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

39. SEGMENT INFORMATION

- a. Information about significant transactions and investees:

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

- a) The nature of the products and production processes are similar.
- b) The product pricing strategies are similar.
- c) The methods used to distribute the products to the customers are the same.

b. Revenue from major products

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

	For the Year Ended December 31	
	2019	2018
LVT floors	<u>\$ 3,468,163</u>	<u>\$ 2,979,348</u>

c. Geographical information

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

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

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

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

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

c. Information about major customers

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

	For the Year Ended December 31	
	2019	2018
Group P	<u>\$ 2,199,857</u>	<u>\$ 1,656,428</u>

TABLE1

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

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

Note1 : No

- (1) The parent company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

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

- (2) A single financing, if any, should not exceed the amount of purchases or sales between the financing company and trading counterpart for the most recent year or in the current year until the financing is provided, whichever is higher. A single short-term financing, if any, should not exceed 40% of the net worth of the Company's most recent financial statements audited, certified or reviewed by the independent external auditors.
- (3) In the case of overseas subsidiaries wholly-owned directly or indirectly by the Company (not incorporated or registered in Taiwan), the financing provided to others shall not exceed 60% of the net worth of the financing company's most recent financial statements.

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

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

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

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

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

Note1:

- (1) The parent company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

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

- (1) A company with which the Company does business.
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company holding more than 50 percent of the voting shares of the Company directly and indirectly.
- (4) A company in which the Company directly and indirectly holds more than 90 percent of the voting shares.
- (5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

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

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

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

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

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

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

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

(To be continued)

(Brought forward)

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

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 SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

TABLE5

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

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

Note1: Intercompany balances and transactions were eliminated upon consolidation.

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

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

Note4: Unrealizes gain on transactions is 621 thousand.

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

TABLE6

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

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

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

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

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

TABLE 7

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

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

The business relationship between the parent and the subsidiaries:

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

Opulent is primarily engaged in international trading.

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

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

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

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

(1) 0 stands for the parent company.

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

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

(1) Parent company vs. subsidiary

(2) Subsidiary vs. parent company

(3) Subsidiary vs. subsidiary

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

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

TABLE 8

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

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

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

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

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

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

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

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

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

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

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

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

- (a) Direct investment in companies in the territories of mainland China.
- (b) Through investing in an existing company in the third area, which then investing in the investee in Mainland China.
 - (1) Investment in companies in mainland China via the company in a third territory (Prolong International Company Limited).
 - (2) Investment in companies in mainland China via M.J. Dongguan and Prolong Dongguan reinvested by the company in a third territory (Prolong International Company Limited).
- (c) Other modes.

Note 2: In the recognized current investment income section:

- (a) To be noted, if it is under preparation and no investment income has generated therefor.
- (b) The basis for recognition of investment income may be categorized into the following three types. Please identify it.
 - (1) Financial statements audited by the international CPA firm which enters into cooperative relationship with any R.O.C. CPA firm.
 - (2) Financial statement audited by the independent external auditor of the parent company in Taiwan.
 - (3) Others.

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

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

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

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

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

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

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

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

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

(I) Financial position

Unit: NT\$ thousand; %

Item	Year	Year2018	Year2019	Variance	
				Amount	%
Current assets		2,604,307	2,578,382	(25,925)	(0.99%)
Property, Plant and Equipment		989,331	1,522,937	533,606	53.93%
Intangible Assets		2,416	39,064	36,648	1516%
Other assets		172,807	246,418	73,611	42.59%
Total assets		3,768,861	4,386,801	617,940	16.39%
Current liabilities		1,277,245	1,742,539	465,294	36.43%
Non-current liabilities		54,506	22,456	(32,050)	(58.8%)
Total liabilities		1,331,751	1,764,995	433,244	32.53%
Equity attributable to owners of the parent		2,437,110	2,591,880	154,770	6.35%
Capital stock		660,590	660,590	-	-
Capital surplus		1,205,967	1,205,967	-	-
Retained earnings		650,599	853,211	202,612	31.14%
Other equity		(80,046)	(127,888)	(47,842)	(59.76%)
Non- controlling equity		-	29,926	29,926	100%
Total equity		2,437,110	2,621,806	184,696	7.57%

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

1. Real estate, plant and equipment: It was caused by the commencement of procuring new land for Taiwan New Plant Investment Plan in 2019, increasing real estate, plant and equipment.
2. Intangible asset: It was generated from customer relationship and reputation by Merger & Acquisition plan.
3. Other assets: It was caused by refundable deposits to purchase the land for new plant in Tainan and new reclassified investment-based lease of real estate.
4. Current liability and total liability: It was caused by increased land financing fund of the bank for the land of new plant in Tainan.
5. Non-current liability: It was mainly caused by less liability from the deferred income tax, reducing non-current liability.
6. Retained surplus: The turnover of 2019 came higher than that in 2018; rising overall production rate drove the gross profit margin and profitability.
7. Other equity: It was mainly caused by reduced difference of exchange conversion on the financial statement of foreign operating institutes, dropping down other equity.
8. Non-controlling Equity: Non-controlling equity increased by corporate Merger & Acquisition plan.

(II) Financial performance

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

Unit: NT\$ thousand; %

Item \ Year	Year2018	Year2019	Variance	
			Amount	%
Operating revenue	2,979,348	3,468,163	488,815	16.4%
Operating cost	2,333,872	2,576,616	242,744	10.4%
Gross profit	645,476	891,547	246,071	38.12%
Operating expenses	387,297	452,765	65,468	16.9%
Operating profit	258,179	438,782	180,603	69.95%
Non-operating revenue and expense	56,524	18,902	(37,622)	(66.56)%
Net profit before tax	314,703	457,684	142,981	45.43%
Income tax expenses	4,267	55,350	51,083	1197%
Current operating profit	310,436	402,334	91,898	29.6%

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

1. Operating gross profit and net profit: The revenue rose up steadily more than that last year due to EU customers' overall ready-for-shipment capacity, the overall production rate rose up and the sharing basis of fixed manufacturing costs increased, plus main PVC price dropping down improving business gross profit, so was the net profit.
2. Non-operating income and expenses: It was mainly caused by the losses arising out of foreign currency exchange due to depreciation of US Dollar in 2019, decreasing the non-operating income and expenses.
3. Net profit before tax: It was mainly caused by the increased scale of business gross profit and net profit in 2019 came larger than its decreased scale, thereby increasing the net profit before tax.
4. Income tax and current net profit: It was mainly caused by increased net profit before tax in 2019, thereby increasing the income tax and net profit after tax.

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

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

(III) Cash flow

1. The cash flow changes during the most recent year (2019) are analyzed and explained as following:

Unit: NT\$ thousand; %

Item \ Year	Year2018	Year2019	Increase (decrease)	
			Amount	%
Net cash inflow from operating activities	485,559	265,568	(219,991)	(45.31%)

Net cash inflow(outflow) from investing activities	186,606	(923,902)	(1,110,508)	(595.11%)
Net cash inflow(outflow) from financing activities	(544,140)	279,956	824,096	151.44%

Analysis of the changes:

1. Net cash inflow of business activities: The accounts receivable at the end of 2019 increased more than that at the end of last year, plus that the accounts payable at the end of 2019 were less than that at the end of last year, decreasing the net cash inflow of business activities.
2. Net cash outflow for investments: It was mainly caused by new purchased real estate, plant and equipment in 2019, generating net cash outflow for investments.
3. Net cash inflow for financing activity: The new short-term loan for the land and the allocated cash dividends in 2019 were less than those in 2018, generating net cash inflow for financing activity.

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

The Group's cash flow from consolidated operations appears to grow positively in 2019. Therefore, no illiquidity takes place.

3. Liquidity analysis for the coming year (2020):

Unit: NT\$ thousand

Cash balance, beginning (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing and financing activities for the year (3)	Cash balance (1)+(2)+(3)	Corrective measures against projected insufficient cash position	
				Investment plan	Wealth management plan
280,800	485,559	(270,841)	495,518	-	-

Analyze and explain any changes in the Company's projected cash flow in 2020:

- (1) Net cash inflow from operating activities: Primarily resulting from the cash receipts generated from the projected operating revenue growth in 2020.
- (2) Net cash flow in investment and financing activities: This is because the Company expected to establish new factories in Tainan, invest in equipment, supply the long-term financing structure at domestic banks and distribute cash dividend of 2019.

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

The Company's payment for acquisition of property, plant and equipment amounted to NT\$ 80,660,000 and NT\$ 682,005,000 in 2018 and 2019, respectively. To distribute production capability and disperse the market, the Company purchased land at Tainan Technology Industrial Park, planned the SPC floor production line in the new Tainan factory and continued to purchase equipment in order to increase automation ratio at the production base in China. The Company's property, plant and equipment turnover was 3.01 and 2.28 in 2018 and 2019, respectively. The reason for the turnover to decrease is because it is expected that the benefits from devotion of capital expenses in the constructing new Tainan factory in 2019 will consecutively appeared in 2021. The Company obtained the qualification for Taiwanese businessman in "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" by the

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

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

1. Investment strategies

The Company's investment strategies are set forth in line with the Company's business needs. The operating revenue of the subsidiaries invested by it appears to grow stably, due to the export to European and US markets. The Company's current investment strategies and operating procedures follow the "Regulations Governing Acquisition or Disposition of Assets" and "Regulations Governing Supervision and Management of Subsidiaries" passed by the directors' meeting or shareholders' meeting, and the investment cycles under the internal control system apply. The various subsidiaries shall comply with the Company's requirements and shall also engage in adequate internal controls pursuant to the local laws and subject to the actual operations. To distribute production capability and disperse the market, the board of directors approved to invest NT\$2,513 million in the new Tainan factory project by resolution and plan to establish the SPC floor production line on Dec. 17, 2019. Compared to the existing SPC production line in China, there are twice amount of the production line in the new Tainan factory. In addition, newest production equipment will be used in the new Tainan factory to satisfy low procurement costs, low production energy consumption and effectively enhance production efficiency. The Company aimed to activate the factory in Q4 2020 and make the factory devoted in production consecutively in Q1 2021. The Company obtained the qualification for Taiwanese businessman in "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" from Ministry of Economic Affairs. In the future, the Company can obtain subsidy for financing interests and other offers to increase the flexibility in the use of operating funds.

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

(I) Risk factors

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

(1) Interest rate changes

The Company's interest revenue amounted to NT\$31,109 thousand and NT\$7,128 thousand in 2019 and Q1 of 2020 respectively, namely 0.89% and 1.13% of the operating revenue, net. The interest expenses were NT\$5,480 thousand and NT\$2,544 thousand, namely 0.16% and 0.4% of the net operating revenue. The interest revenue and expense accounted for a small proportion of the operating revenue; therefore, the interest rate changes rendered no significant impact on the Company's business and finance. Notwithstanding, the Group will continue to strengthen its communication between it and banks, and closely observe and verify the changes in market interest rates. Meanwhile, it will control the interest rate risk effectively, by sound financial planning, various financial tools, and most favorable fund-raising tools in the capital market.

(2) Exchange rate changes

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

The net foreign currency exchange gains or loss resulting from the operating activities was NT\$18,166 thousand loss and NT\$4,334 thousand gain in 2019 and Q1 of 2020 respectively, namely 0.53% and 0.69% of the operating revenue for the years.

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

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

- ⑤ Keep close contact with the bank's foreign exchange department and collect market information actively to control the potential exchange rate trend completely; subject to the exchange rate fluctuation and foreign currency position held by the Company, decide whether to underwrite financial derivatives to evade the foreign exchange risk according to the "Regulations Governing Engagement in Derivatives Trading" established by the Company.

(3) Inflation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Purchases

The Company is a professional manufacturer engaged in manufacturing sheet plastic flooring. The raw materials purchased by it are mainly PVC powder, transparent materials, printed film and plasticizers. In 2019 and Q1 of 2020, the purchase amount to the largest supplier accounted for 22.6% and 23.02% of the consolidated total purchase amount, net. Therefore, there should be no significant risk over excessively concentrated purchases.

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

- (2) Sales

The Group's sales to the largest customer are 38.45% and 40.97% in 2019 and Q1 of 2020. Further, Group K's subsidiaries were used to negotiating with the Company for the sale conditions independently and placing order individually. Group K is one of the leading brand for PVC flooring in Europe. In consideration of the high production cost in Europe, it was used to contracting the production of PVC flooring to other suppliers. Through the cooperation between both parties for many years, both parties signed an exclusive supply contract, agreeing that the Company should be the exclusive OEM for the products referred to therein sold in countries in Europe and North Africa and the Company should supply said products to Group K only in said countries. The Company keeps maintaining the fair relationship with Group K and also strives to enhance its competitive strength in pricing by upgrading the

production capacity and improving process, and developing new products to seek the opportunity for acting as the OEM of leading suppliers in North America. Meanwhile, the Company also starts operating its private brand and develops distribution channels in the mainland China. By developing new customers and expanding the market in the mainland China, the Company should be able to upgrade its sales effectively and thereby enable the Company's business/finance to be more stable.

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

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

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

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

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

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

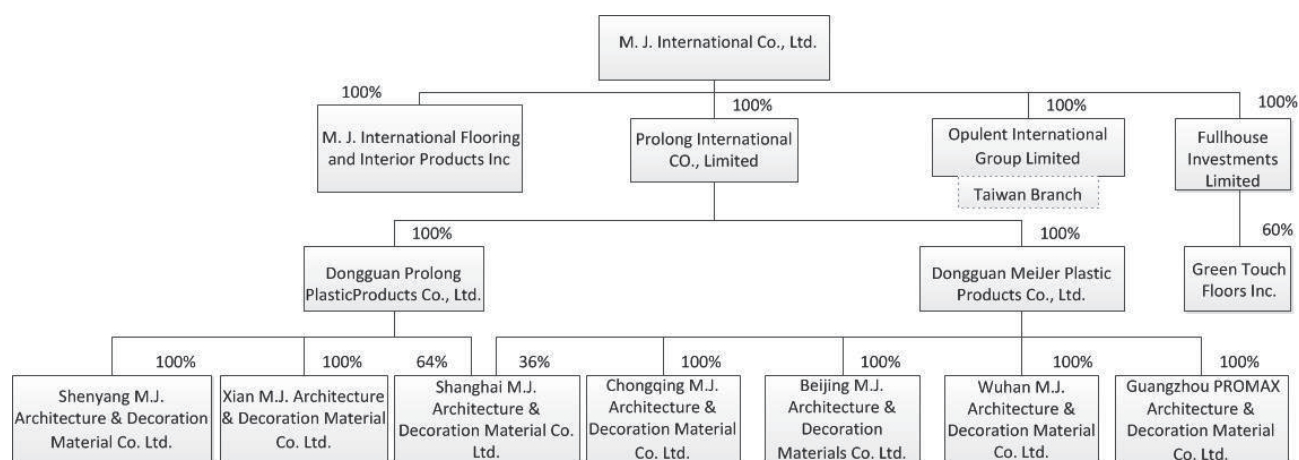
13. Other significant risks and responsive measures: None.

VIII. Other important notes: None.

Eight. Special notes

I. Consolidated business reports of affiliated enterprises

(I) Organizational chart of affiliated enterprises



(II) Basic information by affiliated enterprise

Capital unit: NT\$ thousand

Company name	Date of incorporation	Territory	Paid-in capital	Main functions
Prolong International Co., Limited	November 18, 2010	Hong Kong	USD9,460	Investment holding
Opulent International Group Limited	November 15, 2012	Hong Kong	USD8,700	Procurement of raw materials and acceptance of order for export
Opulent International Group Limited Taiwan Branch	January 4, 2013	Taiwan R.O.C.	-	Business location dedicated to accepting orders for export
M.J.International Flooring and Interior Products Inc	May 15, 1982	Taiwan R.O.C..	NTD50,000	Sales and business location in the territories of Taiwan
Fullhouse Investments Limited	November 09, 2018	Samoa	USD1,386	Investment holding
Green Touch Floors Inc.	September 01, 2017	Canada	CAD2,273	Sales and operation sites at Canada
Dongguan Prolong PlasticProducts Co., Ltd.	August 10, 1993	China	HKD78,538	Investment holding, and production of sheet plastic flooring
Dongguan MeiJer PlasticProducts Co., Ltd.	January 1, 2002	China	USD27,171	Investment holding, and production of sheet plastic flooring
Chongqing M.J. Architecture & Decoration Material Co. Ltd.	November 23, 2012	China	RMB8,000	Sales and business location in the territories of the mainland China
Beijing M.J. Architecture & Decoration Materials Co. Ltd.	January 6, 2013	China	RMB9,000	Sales and business location in the territories of the mainland China
Shanghai M.J. Architecture & Decoration Material Co. Ltd.	January 7, 2013	China	RMB47,000	Sales and business location in the territories of the mainland China
Guangzhou PROMAX Architecture & Decoration Material Co. Ltd.	August 1, 2013	China	RMB15,000	Sales and business location in the territories of the mainland China
Wuhan M.J. Architecture & Decoration Material Co. Ltd.	June 16, 2016	China	RMB11,000	Sales and business location in the territories of the mainland China
Xian M.J. Architecture & Decoration Material Co. Ltd.	August 18, 2017	China	RMB5,000	Sales and business location in the territories of the mainland China
Shenyang M.J. Architecture & Decoration Material Co. Ltd.	May 27, 2018	China	RMB4,700	Sales and business location in the territories of the mainland China

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

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

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

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

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

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

(VI) Operating overview of affiliated enterprises

Name of enterprise	Currency type	Capital	Worth of total assets	Worth of total liabilities	Net worth	Operating revenue	Operating gain	Current gain (loss)	EPS
								(after tax)	(after tax)
Prolong International Co., Limited	USD	12,460	55,886	0	55886	0	-2	1,571	Note 1
Opulent International Group Limited	USD	8,700	57,839	32,911	24,928	91,332	12,732	10,515	Note 1
M.J.International Flooring and Interior Products Inc	NTD	50,000	659,023	515,114	143,909	207,766	5,592	6,187	1,237.34 Note 2
Fullhouse Investments Limited	USD	1,386	1,795	345	1,450	0	(1)	53	Note 1
Green Touch Floors Inc.	CAD	2,273	5,264	2,414	2,850	4,482	161	193	Note 1
Dongguan Prolong PlasticProducts Co., Ltd.	RMB	HKD 78,538	171,363	47,722	123,641	213,427	3,863	1,509	Note 1
Dongguan MeiJer PlasticProducts Co., Ltd.	RMB	USD 30,271	375,782	118,341	257,441	401,161	10,964	9,207	Note 1
Chongqing M.J. Architecture & Decoration Material Co. Ltd.	RMB	8,000	4,487	501	3,986	9,562	103	133	Note 1
Beijing M.J. Architecture & Decoration Materials Co. Ltd.	RMB	12,000	7,909	3,562	4,347	10,018	(827)	(871)	Note 1
Shanghai M.J. Architecture & Decoration Material Co. Ltd.	RMB	47,000	72,584	42,527	30,057	18,044	(3,777)	(2,851)	Note 1
Guangzhou PROMAX Architecture & Decoration Material Co. Ltd.	RMB	3,000	11,957	3,599	8,358	14,951	885	1,858	Note 1
Wuhan M.J. Architecture & Decoration Material Co. Ltd.	RMB	11,000	9,385	364	9,021	8,718	(112)	(111)	Note 1
Xian M.J. Architecture & Decoration Material Co. Ltd.	RMB	5,000	6,079	1,492	4,587	4,514	(198)	(195)	Note 1
Shenyang M.J. Architecture & Decoration Material Co. Ltd.	RMB	4,750	4,520	400	4,120	1,329	(548)	(548)	Note 1

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

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

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

(VIII) Affiliation report: N/A.

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

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

VI. The explanations of the major discrepancy with the regulations protecting R.O.C. shareholders' rights and interests:

The Company has amended the Articles of Incorporation in accordance with the Significant Matters Protecting Shareholders' Rights and Interests listed in "Checklist for the Matters Protecting the Rights and Interests of the Shareholders in the Registration Place of Foreign Issuer" issued by Taiwan Stock Exchange on Nov. 30, 2018. In addition, regarding the items added to "Checklist for the Matters Protecting the Rights and Interests of the Shareholders in the Registration Place of Foreign Issuer" (referred to as "Checklist for the Matters Protecting Shareholders' Rights and Interests") issued by Taiwan Stock Exchange on Dec. 25, 2019, the Company has submitted to the board of directors' meeting for discussion on March 5, 2020 where the Proposal of Amendment to Memorandum of Association and Articles of Incorporation (referred to as "Amendment to Articles of Incorporation" hereunder) was adopted and will submit to the general shareholders' meeting this year. In addition, to satisfy the provisions in Cayman Islands, the Company referenced the opinions from the attorney of Cayman Islands, Ogier. Some matters were not applicable to the provisions in the laws of Cayman Islands and hence aroused discrepancy with the Checklist for the Matters Protecting Shareholders' Rights and Interests. These matters have not revised in the Articles of Incorporation, please refer to the explanations in the following table for the reasons, the regulations in the registration place (if any) and the impact of the matter on the R.O.C shareholders' rights and interests:

Discrepancy	Laws from Cayman Islands and Explanations	Provisions in the Articles of Incorporation and Explanations
Definition of "Special Resolution": A resolution was adopted, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a	According to the Company Act of Cayman Islands, in principle, a special resolution is a resolution "adopted by two-thirds or more" of the total voting rights of the attending shareholders. To achieve legal number of attending shareholders at a shareholders' meeting, the meeting shall be attended by	In accordance with the purpose of the letter Tai Cheng Sheng Tzu No. 0991701319 issued on April 13, 2010 by Taiwan Stock Exchange, Article 39 and Article 2(1) of the Articles of Incorporation stipulated that special resolution shall be adopted during a shareholders' meeting attended by members

<p>shareholders' meeting of a company whose shares have been issued in public is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.</p>	<p>shareholders with over half of the total issued shares.</p>	<p>present in person or by proxy or (in the case of a Member being a corporation) by its duly authorized representative representing more than one-half of the total issued and outstanding Shares with voting rights and passed by a majority of at least two-thirds of votes cast by such members. This article satisfied both the law in Cayman Islands and the Company Act in Taiwan regarding the requirement of number of votes of public companies.</p>
<p>1. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be affected based on the percentage of shareholding of the shareholders pro rata</p> <p>2. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting</p>	<p>Articles 14 to 18 of the Company Act of Cayman Islands have relevant regulations on capital reduction.</p>	<p>Article 14 to 18 of the Company Act of Cayman Islands had strict procedures and practical regulations on capital reduction and the relevant regulations are mandatory requirements where amendment to the regulation in Articles of Incorporation is not allowed. There is a relative discrepancy with the Checklist for the Matters Protecting Shareholders' Rights and Interests regarding the requirement for capital reduction. To avoid doubt, after obtaining the opinions from the attorneys of Cayman Islands, the Company</p>

<p>and obtain consents from the shareholders who receive such property.</p> <p>3. The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a certified public accountant of R.O.C. before the shareholders' meeting.</p>		<p>amended Article 14 of the Articles of Incorporation so that the Company may conduct capital reduction in accordance with the procedures and criteria stipulated in the law of Cayman Islands and for TWSE/TPEX Listed Companies by a special resolution during shareholders' meeting. As for the requirement of capital reduction in Checklist for the Matters Protecting Shareholders' Rights and Interests, the Company stipulated in Article 24 of the Articles of Incorporation that the Company may purchase its shares in proportion to the number of Shares held by the shareholder.</p>
<p>A company choosing to issue no par value shares shall not convert its shares into par value shares.</p>	<p>The last paragraph in Article 8(1) of the Company Act of Cayman Islands states: "Provided further that no exempted company shall divide its capital into both shares of a fixed amount and shares without nominal or par value.". After obtaining the opinions from the attorneys of Cayman Islands, in accordance with the aforementioned provision and weighing the practical</p>	<p>The Company as the exempted company has issued par value shares but did not issue or convert no par value shares. Hence, the Company is not applicable to the regulations in the left column practically.</p> <p>To avoid doubts, the Company stipulated in Article 7(4) of the Articles of Incorporation according to the current status of the Company and by referencing the purpose of</p>

	<p>procedures for stock issuance, the companies exempted from adopting par value shares in Cayman Islands may not convert par value shares into no par value shares; the reverse also holds true.</p>	<p>the regulation, which states: “The Company shall neither issue Shares without par value nor convert its Shares from Shares with par value to Shares without par value.”</p>
<p>1. If the shareholders’ meeting was held outside of the territory of R.O.C., the proposal shall be submitted to board of directors’ meeting for resolution or shall be approved by Taiwan Stock Exchange within 2 days after the shareholders acquired the conveying permission from Competent Authority.</p> <p>2. If the Company holds a shareholders’ meeting outside of the territory of R.O.C, the Company shall entrust a professional agent for stock affairs in the territory of R.O.C. to handle shareholders’ voting matters.</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>Due to the first paragraph in Article 31 of the Articles of Incorporation, which states: “During the Relevant Period, all general meetings of foreign issuers shall be held in the R.O.C.” and there is no exception Hence, there is no need to stipulate additional regulations for the permission or declaration procedures when the shareholders’ meeting is held outside of the territory of R.O.C. Moreover, during the listing period, the shareholders’ meeting of the Company will be held within the territory of R.O.C. However, The Company will still entrust professional agent for stock affairs in the territory of R.O.C. to handle shareholders’ voting affairs.</p>

<p>Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders.</p> <p>If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.</p>	<p>There is no competent authority at Cayman Islands for approving the convey of shareholders' meeting.</p>	<p>The Company was established in accordance with the Company Act of Cayman Islands. There is no competent authority at Cayman Islands responsible for reviewing whether the shareholders may convey the shareholders' meeting themselves. Hence, in Article 32 of the Articles of Incorporation, it states that any one or more Member(s) may, by depositing the requisition notice specifying the proposals to be resolved and the reasons thereof, request the Board to convene an extraordinary general meeting, provided that such Member or Members continuously holds at least three percent (3%) of the total issued Shares of the Company as at the date of deposit of the requisition notice for a period of at least one (1) year immediately prior to that date. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may convene a general meeting and does not need to submit the proposal to the Competent</p>
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		<p>Authority for permission. This article complied to the purpose of the letter Tai Cheng Sheng Tzu No. 0991701319 issued on April 13, 2010 by Taipei Stock Exchange and had no adverse effect to shareholders' rights and interests.</p>
<p>A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person</p>	<p>According to the opinions from the attorneys of Cayman Islands, shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall not be deemed to have attended the said shareholders' meeting in person and shall be deemed to have appointed the chairperson as the proxy to attend the said shareholders' meeting instead.</p>	<p>Last paragraph in Article 57 of the Articles of Incorporation stipulated that following: "A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his Shares at the general meeting only in the manner directed by his written instrument or electronic document." Hence, in practical operation, there is no major discrepancy with the laws of R.O.C. However, when interpreting the chairperson of the shareholders' meeting as the proxy for the shareholders exercise their voting power in writing or by way of electronic transmission shall satisfy the requirement in the laws of Cayman Islands</p>

		that resolution in shareholders' meeting shall be voted the same time as the shareholders attended in person or by proxy on site.
In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.	There is no relevant regulation in the Company Act of Cayman Islands.	In accordance with the opinions from attorneys of Cayman Islands, from what he knew, there is no relevant court judgement in Cayman Islands. However, in an English judgement (a judgement convincing to the court of Cayman Islands), it is thought that the proxy rescission conducted not in accordance with the Articles of Incorporation does not obstruct such shareholder to exercise its voting rights in-person and exclude the calculations of voting rights exercised by proxy. Article 58 and 61 of Articles of Incorporation state: "In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two(2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such
After the service of the power of attorney of a proxy to the company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to		

exercise his/her/its voting power in writing or by way of electronic transmission , a proxy rescission notice shall be filed with the company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

votes, such votes shall remain valid. Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his prior voting instructions by a written instrument or by way of electronic transmission, notwithstanding that such Member has not submitted a revocation notice in accordance with this Article 58.”, “In case a Member who has served a proxy intends to attend the relevant general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholder Service Agent. Otherwise, the votes cast by the proxy at the general meeting shall prevail. Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his proxy appointment, notwithstanding that such Member has not submitted a revocation notice

		<p>in accordance with this Article 61.” If the shareholder exercises voting rights by writing or by means or by way of electronic transmission or in the case that the shareholder still exercise its voting rights by attending the shareholders’ meeting in person and did not revoke the expression of intent or proxies exercised by writing or by way of electronic transmission previously two days prior to the shareholders’ meeting in accordance with Article 58 or Article 61 of Articles of Incorporation after submitting the proxies, such action of the shareholders attending and exercising voting rights shall still be considered as such shareholder has revoked the expression of intent or proxies exercised by writing or by way of electronic transmission previously in accordance with the provisions in Articles of Incorporation. Hence, this satisfied the provisions in the laws of Cayman Islands.</p>
<p>1. A company may explicitly provide for in its Articles of Incorporation that the</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>In accordance with Article 100(3) of Articles of Incorporation, the Company adopted</p>

<p>surplus earning distribution or loss off-setting proposal may be proposed at the close of each quarter or each half fiscal year.</p> <ol style="list-style-type: none"> 2. The proposal of surplus earning distribution or loss off-setting for the first three quarters or half fiscal year, together with the business report and financial statements, shall be forwarded to supervisors for their auditing, and afterwards be submitted to the board of directors for approval. 3. A company distributing surplus earning in accordance with the provision of the preceding paragraph shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. 4. A company distributing surplus earning in the form of new shares to be issued by the company in accordance with the provision 		<p>annual earnings distribution system rather than interim earnings distribution. Hence, the regulations in the most left column are not applicable to the Company.</p>
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<p>of Paragraph Two shall follow the provisions of Article 240; if such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the board of directors.</p> <p>5. Surplus earning distribution or loss off-setting proposal by the company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.</p>		
<p>The Company's procedures for capital increase: a cash capital increase through a new share issue and capital increase through capitalization of retained earnings or capital reserve for the issuance of new share.</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company will revise the Articles of Incorporation during the shareholders' meeting this year. The requirements in the provisions shown in the left column will be included.</p>
<p>1. In issuing new shares, a company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares, except a different resolution was adopted during the shareholders' meeting, in proportion</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company will revise the Articles of Incorporation during the shareholders' meeting this year. The requirements in the provisions shown in the left column will be included.</p>

<p>respectively to their original shareholding and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. Where a fractional percentage of the original shares being held by a shareholder is insufficient to subscribe for one new share, the fractional percentages of the original shares being held by several shareholders may be combined for joint subscription of one or more integral new shares or for subscription of new shares in the name of a single shareholder. New shares left unsubscribed by original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.</p> <p>2. The right to subscription of new shares as provided for in the preceding three paragraphs, except those reserved for subscription by employees, may be separated from the rights in original shares and transferable independently.</p>		
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<p>3. When the Company conducts a cash capital increase through a new share issue in the territory of R.O.C., it shall allocate 10 percent of the total amount of new shares issued to a public issue to outside parties, provided that if a shareholders meeting resolution calls for allocation of a higher percentage, the resolution shall be complied with unless deemed to be unnecessary or inappropriate by the Competent Authority of R.O.C.</p>		
<p>1. In case of a spin-off, merger, acquisition or share exchange of the Company was adopted during shareholders' meeting, objecting shareholders shall have the rights to request buying back shares.</p> <p>2. The shareholder filing a request under the preceding paragraph shall make it in writing within 20 days since the resolution of the general meeting was made, specify the price for buying back. If the company and shareholder reach an agreement about the price of buying back, the company shall pay for the shares within 90 days since the resolution of the general meeting was made.</p>	<p>When the merger (including the two types, absorption and consolidation) satisfied the definition in Article 232 of the Company Act of Cayman Islands, Article 238 of the Company Act of Cayman Islands has stipulated relevant provisions on the rights to request buying back shareholders from the objecting shareholders. After obtaining the opinions from the attorneys of Cayman Islands, the rights to request buying back enjoyed by the objecting shareholders in accordance with the aforementioned regulations shall not be limited or prohibited</p>	<p>The Company will revise the Articles of Incorporation during the shareholders' meeting this year. The requirements in the provisions shown in the left column will be included.</p>

<p>In case no agreement is reached, the company shall pay the fair price it has recognized to the dissenting shareholder who asks for a higher price within 90 days since the resolution of the general meeting was made. If the company did not pay, the company shall be considered to be agreeable to the price requested by the shareholder.</p> <p>3. Where a shareholder requested the Company to buyback all of its shares in accordance with the reasons stipulated in Paragraph 1, in case no agreement is reached within 60 days since the resolution of the general meeting was made, the company shall apply to the court for a ruling on the fair price against all the dissenting shareholders as the opposing party within 30 days after that duration and may take Taipei District Court as the court of competent jurisdiction for the first instance.</p>	<p>due to the new provisions in Articles of Incorporation from the regulation in the left column.</p>	
<p>The proposal of “share exchange” shall be approved by a special resolution.</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company will revise the Articles of Incorporation during the shareholders’ meeting this year. The requirements in the</p>

		provisions shown in the left column will be included.
In the merger/consolidation and acquisition by a company, a director who has a personal interest in the transaction of merger/consolidation and acquisition shall explain to the Board meeting and the general meeting the essential contents of such personal interest and the cause of approval or dissent to the resolution of merger /consolidation or acquisition.	There is no relevant regulation in the Company Act of Cayman Islands.	The Company will revise the Articles of Incorporation during the shareholders' meeting this year. The requirements in the provisions shown in the left column will be included.
1. The directors of the Company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from. In case the director does such act for himself/herself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.	In accordance with the opinions from the attorney of Cayman Islands, the obligations of the directors under the laws of Cayman Islands can be divided as the following: (i) Skills under common law and reasonable fiduciary duty: When exercising duties and handling Company's business, directors have the obligation to execute with reasonable skills and fiduciary duty. (ii) Obligation of trustees: Directors have fiduciary duty and integrity obligation to the Company. (iii) Legal obligations: Directors shall take on	In Article 73 of the Articles of Incorporation, the Company stipulated that the Directors shall assume fiduciary duties to the Company and the due care of a good administrator; the person shall be liable to the Company if he acts contrary to the law or his duties. In response to the requirements in Checklist for the Matters Protecting Shareholders' Rights and Interests, the Company amended Article 73(1) and 79(2) of the Articles of Incorporation during the shareholders' meeting this year to clearly stipulate the

<p>2. If a director of the Company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>3. The managerial officers and supervisors acting within the scope of their duties shall take on the same liabilities for the damages as the directors of the Company.</p>	<p>legal obligations to conduct internal management of the Company (for example: proper book-keeping) and shall be responsible for the registration and file organization when the Company made decisions or changes regarding legal registration book.</p> <p>The effect of violating the aforementioned fiduciary duty of directors shall be determined according to the type of violation. For example, if legal fiduciary duty was violated, penalty regulation was established in the laws of Cayman Islands (e.g. fine/imprisonment). If common law or the fiduciary duty of trustee was violated, directors shall compensate the damages suffered by the Company or third parties, return Company's properties, explain to the Company and pay the interests obtained when violating fiduciary duty.</p>	<p>responsibilities of directors and managerial officers when handling merger matters.</p>
<p>1. Before any resolution of merger/consolidation and acquisition by the Board of Directors, the audit committee or special committee (applicable to the</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company has adopted audit committee system and did not establish supervisors. Hence, in accordance with the requirements in the provisions shown in the left column,</p>

<p>companies with supervisors established) of the Company shall review the fairness and reasonableness of the plan and transaction of the merger/consolidation or acquisition, and then to report the review results to the Board of Directors and Shareholders' Meeting. However, if there is no need to submit the merger matters to shareholders' meeting by resolution in accordance with the provisions in the law of the registration place of the foreign issuers, the Company is not required to submit to the shareholders' meeting.</p> <p>2. When the audit committee (or a special committee) reviews matters, it shall seek opinions from an independent expert on the justification of the share exchange ratio or distribution of cash or other assets.</p> <p>3. The audit results from the audit committee (or a special committee) and the opinions of independent experts shall be delivered together with the notice of the general meeting to each shareholder. However, if there is no need to submit the merger matters to shareholders' meeting by</p>		<p>the Company amended the Articles of Incorporation during the shareholders' meeting this year to clearly stipulate the audit committee shall audit the merger plans.</p>
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<p>resolution in accordance with the provisions in the law of the registration place of the foreign issuers, the merger matters shall be reported to the next following shareholders meeting.</p> <p>4. Regarding the documents, which shall be sent to the shareholders in the preceding paragraph, if the company announced the same content as in those documents on a website designated by the competent securities authority and those documents are prepared in the company and at the venue of the general meeting by a company, those documents shall be deemed as having been sent to shareholders.</p>		
<p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p> <p>2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election.</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company has adopted audit committee system and did not establish supervisors. Hence, the requirements in the provisions shown in the left column is not applicable to the Company.</p>

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| <ol style="list-style-type: none">3. In case all supervisors of a company are discharged, the board of directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors.4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, inspect, transcribe or make copies of the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders.6. In performing audit affairs, the supervisors may appoint a certified public accountant | | |
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<p>and attorneys to conduct the auditing in their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the board of directors to their opinions. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.</p> <p>8. Supervisor may each exercise the supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.</p>		
<p>1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the company over six months may request</p>	<p>There is no relevant regulation in the Company Act of Cayman Islands.</p>	<p>The Company has adopted audit committee system and did not establish supervisors. Hence, referencing Article 14-4, Paragraph 4 of Securities and Exchange Act and the</p>

<p>in writing the supervisors of the company to institute, for the company, an action against a director of the company and may take Taipei District Court as the court of competent jurisdiction for the first instance.</p> <p>2. In case the supervisors fails to institute an action within 30 days after having received the request, then the shareholders filing such request may institute the action for the company and may take Taipei District Court as the court of competent jurisdiction for the first instance.</p> <p>3. In addition to the condition that the board of directors does not or is unable to convene a meeting of shareholders, the supervisors or independent directors of the audit committee may, for the benefit of the company, call a meeting of shareholders when it is deemed necessary.</p>		<p>purpose of the letter Sheng Tzu No. 10000533380 issued on March 1, 2011 by Ministry of Economic Affairs, independent directors in the audit committee have replaced the duties of supervisors in the most left column. Article 86 of the Articles of Incorporation stipulated that few shareholders may request in writing any Independent Director of the Audit Committee to file, on behalf of the Company, an action against a Director who has, in the course of performing his/her duties, committed any act resulting in damage to the Company or in violation of the Law, the Applicable Listing Rules or these Articles, with a competent court, including the Taiwan Taipei District Court of the R.O.C. In case the director fails to institute an action within 30 days after having received the request, then the shareholders filing such request may institute the action for the company within the scope allowed in the laws of Cayman Islands.</p>
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After checking, regarding the new items in the Checklist for the Matters Protecting Shareholders' Rights and Interests, the amendment to the Articles of Incorporation proposed by the Company to be adopted during shareholders' meeting satisfied the requirements in the regulation; as for the discrepancy part, they shall not cause adverse effect on shareholders' rights and rights since it is just because the regulation in our country is stricter or the actual content did not violate the contents in Checklist for the Matters Protecting Shareholders' Rights and Interests.