

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

Consolidated Financial Statements for the Years Ended  
December 31, 2021 and 2020 and Independent Auditors'  
Report

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### **Opinion**

We have audited the accompanying consolidated financial statements of M. J. International Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021.

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, 2021 are stated below:

The operating revenue was \$3,610,670 thousand for the year of 2021, while the sales amount of customer A accounted for approximately 42% of the consolidated operating revenue, and the sales amount of customer B accounted for approximately 23% of the consolidated operating revenue. We deemed the occurrence of sales to above-mentioned customers particularly as a key audit matter. Please refer to Note 4(14) 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.

### **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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 28,2022

**M. J. International Co., Ltd. and subsidiaries**  
**CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 336,209	6	\$ 535,530	12
Financial assets at fair value through profit or loss (Notes 4 and 7)	26,266	1	81,052	2
Financial assets at fair value through other comprehensive income - current (Notes 4, 8, 10 and 34)	135,268	2	284,691	6
Financial assets at amortized cost - current (Notes 4,9, 10 and 34)	1,387	-	-	-
Notes receivable (Notes 4, 11 and 25)	3,402	-	1,795	-
Notes receivable - related parties (Notes 4, 25 and 33)	1,342	-	-	-
Trade receivables (Notes 4, 11 and 25)	1,416,215	23	930,658	21
Trade receivables - related parties (Notes 4, 25 and 33)	45,815	1	38,793	1
Other receivables (Notes 4 and 11)	39,823	1	25,158	-
Current tax assets (Notes 4 and 27)	1,997	-	1,558	-
Inventories (Notes 4 and 12)	628,339	10	430,793	9
Other current assets - others (Notes 19)	236,092	4	124,366	3
Total current assets	<u>2,872,155</u>	<u>48</u>	<u>2,454,394</u>	<u>54</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 10)	21,930	1	28,400	1
Property, plant and equipment (Notes 4, 14 and 34)	2,785,940	47	1,822,494	40
Right-of-use assets (Notes 4 and 15)	129,391	2	65,211	2
Investment properties (Notes 4 and 16)	66,693	1	43,398	1
Goodwill (Notes 4,17)	8,120	-	8,355	-
Other intangible assets (Notes 4, 18)	21,551	-	28,699	1
Deferred tax assets (Notes 4 and 27)	12,104	-	2,967	-
Other non-current assets (Notes 4 and 19)	65,364	1	59,595	1
Total non-current assets	<u>3,111,093</u>	<u>52</u>	<u>2,059,119</u>	<u>46</u>
Total assets	<u>\$ 5,983,248</u>	<u>100</u>	<u>\$ 4,513,513</u>	<u>100</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Short-term borrowings (Notes 4, 20 and 34)	\$ 658,874	11	\$ 894	-
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	447	-
Contract liabilities - current (Notes 4 and 25)	22,640	1	29,967	1
Trade payables	426,437	7	273,233	6
Other payables (Notes 4, 22 and 30)	318,344	5	257,648	6
Other payables - related parties (Notes 33)	27	-	-	-
Current tax liabilities (Notes 4 and 27)	9,828	-	65,129	1
Provisions - current (Notes 4 and 23)	16,336	-	8,192	-
Lease liabilities - current (Notes 4 and 15)	21,727	1	6,241	-
Other current liabilities	2,206	-	1,000	-
Total current liabilities	<u>1,476,419</u>	<u>25</u>	<u>642,751</u>	<u>14</u>
<b>Non-current liabilities</b>				
Bonds payable (Notes 4 and 21)	587,611	10	580,062	13
Long-term borrowings (Notes 4, 20, 29 and 34)	1,301,264	22	597,008	13
Deferred tax liabilities (Note 4 and 27)	8,430	-	8,476	-
Lease liabilities - non-current (Notes 4 and 15)	64,615	1	7,732	-
Deferred revenue - non-current (Notes 4 and 29)	63,001	1	17,215	1
Guarantee deposits	5,368	-	391	-
Total non-current liabilities	<u>2,030,289</u>	<u>34</u>	<u>1,210,884</u>	<u>27</u>
Total liabilities	<u>3,506,708</u>	<u>59</u>	<u>1,853,635</u>	<u>41</u>
<b>Equity attributable to owners of the company (Notes 4 and 24)</b>				
Share capital				
Ordinary shares	660,590	11	660,590	15
Capital surplus	1,229,455	20	1,229,455	27
Retained earnings				
Legal reserve	205,640	3	177,742	4
Special reserve	119,001	2	127,888	3
Unappropriated earnings	406,858	7	555,724	12
Total retained earnings	731,499	12	861,354	19
Other equity	(167,314)	(3)	(119,001)	(3)
Treasury shares	(21,450)	-	-	-
Total equity attributable to owners of the company	<u>2,432,780</u>	<u>40</u>	<u>2,632,398</u>	<u>58</u>
Non-controlling interests (Notes 4 and 24)	43,760	1	27,480	1
Total equity	<u>2,476,540</u>	<u>41</u>	<u>2,659,878</u>	<u>59</u>
Total liabilities and equity	<u>\$ 5,983,248</u>	<u>100</u>	<u>\$ 4,513,513</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, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)				
Sales	\$ 3,610,670	100	\$ 2,882,490	100
OPERATING COSTS (Notes 12 and 26)				
Cost of goods sold	( 2,986,204 )	( 83 )	( 2,096,842 )	( 73 )
GROSS PROFIT	<u>624,466</u>	<u>17</u>	<u>785,648</u>	<u>27</u>
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	( 250,557 )	( 7 )	( 211,764 )	( 7 )
General and administrative expenses	( 198,015 )	( 6 )	( 163,800 )	( 6 )
Research and development expenses	( 88,065 )	( 2 )	( 4,314 )	-
Expected credit loss (Notes 4, 10 and 11)	( 1,221 )	-	( 646 )	-
Total operating expenses	( 537,858 )	( 15 )	( 380,524 )	( 13 )
PROFIT FROM OPERATIONS	<u>86,608</u>	<u>2</u>	<u>405,124</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 26)	15,332	-	22,712	1
Other income (Notes 4 and 26)	3,174	-	11,228	-
Other gains and losses (Notes 4, 13 and 26)	( 23,146 )	-	( 67,924 )	( 2 )
Financial costs (Notes 4, 21 and 26)	( 13,701 )	-	( 9,333 )	-
Total non-operating income and expenses	( 18,341 )	-	( 43,317 )	( 1 )
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	68,267	2	361,807	13
INCOME TAX EXPENSE (Notes 4 and 27)	( 6,773 )	-	( 84,236 )	( 3 )
NET PROFIT FOR THE YEAR	<u>61,494</u>	<u>2</u>	<u>277,571</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 24)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	( 28,867 )	( 1 )	( 6,690 )	-
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	( 20,640 )	( 1 )	14,545	-
Other comprehensive income/(loss) for the year, net of income tax	( 49,507 )	( 2 )	7,855	-
TOTAL COMPREHENSIVE INCOME/ FOR THE YEAR	<u>\$ 11,987</u>	<u>-</u>	<u>\$ 285,426</u>	<u>10</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 68,578	2	\$ 278,985	10
Non-controlling interests	( 7,084 )	-	( 1,414 )	-
	<u>\$ 61,494</u>	<u>2</u>	<u>\$ 277,571</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 20,009	-	\$ 287,872	10
Non-controlling interests	( 8,022 )	-	( 2,446 )	-
	<u>\$ 11,987</u>	<u>-</u>	<u>\$ 285,426</u>	<u>10</u>
EARNINGS PER SHARE (Note 28)				
From continuing operations	\$ 1.04		\$ 4.22	
Basic	<u>\$ 1.02</u>		<u>\$ 4.18</u>	
Diluted				

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Equity attributable to owners of the company										
	Retained Earnings					Other Equity		Treasury Shares	Total	Non-controlling Interests	Total equity
	Share capital	Capital surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange differences translating the financial statements of foreign operations	Unrealized gains (loss) on financial assets at fair value through other comprehensive income				
BALANCE AT JANUARY 1, 2020	660,590	1,205,967	137,496	80,046	635,669	( 138,545 )	10,657	-	2,591,880	29,926	2,621,806
Appropriation of 2019 earnings (Note 24)											
Legal reserve	-	-	40,246	-	( 40,246 )	-	-	-	-	-	-
Special reserve	-	-	-	47,842	( 47,842 )	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	( 270,842 )	-	-	-	( 270,842 )	-	( 270,842 )
Equity component of convertible bonds issued by the Company—share option (Notes 4 and 21)	-	23,488	-	-	-	-	-	-	23,488	-	23,488
Net profit for the year ended December 31, 2020	-	-	-	-	278,985	-	-	-	278,985	( 1,414 )	277,571
Other comprehensive income (loss) for the year ended December 31, 2020 (Note 24)	-	-	-	-	-	( 5,658 )	14,545	-	8,887	( 1,032 )	7,855
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	278,985	( 5,658 )	14,545	-	287,872	( 2,446 )	285,426
BALANCE AT DECEMBER 31, 2020	660,590	1,229,455	177,742	127,888	555,724	( 144,203 )	25,202	-	2,632,398	27,480	2,659,878
Appropriation of 2020 earnings (Note 24)											
Legal reserve	-	-	27,898	-	( 27,898 )	-	-	-	-	-	-
Special reserve	-	-	-	( 8,887 )	8,887	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	( 198,177 )	-	-	-	( 198,177 )	-	( 198,177 )
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 8 and 24)	-	-	-	-	( 256 )	-	256	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	68,578	-	-	-	68,578	( 7,084 )	61,494
Other comprehensive income (loss) for the year ended December 31, 2021 (Note 24)	-	-	-	-	-	( 27,929 )	( 20,640 )	-	( 48,569 )	( 938 )	( 49,507 )
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	68,578	( 27,929 )	( 20,640 )	-	20,009	( 8,022 )	11,987
Buy-back of treasury shares	-	-	-	-	-	-	-	( 21,450 )	( 21,450 )	-	( 21,450 )
Changes in non-controlling interests(Note 24)	-	-	-	-	-	-	-	-	-	24,302	24,302
BALANCE AT DECEMBER 31, 2021	\$ 660,590	\$ 1,229,455	\$ 205,640	\$ 119,001	\$ 406,858	( \$ 172,132 )	\$ 4,818	( \$ 21,450 )	\$ 2,432,780	\$ 43,760	\$ 2,476,540

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 68,267	\$ 361,807
Adjustments for:		
Depreciation expenses	167,330	155,836
Amortization expenses	7,945	8,740
Expected credit loss recognized on trade receivables	1,221	646
Finance costs	13,701	9,333
Interest income	( 15,332)	( 22,712)
Write-downs of inventories	12,080	6,743
(Gain)/loss on disposal of property, plant and equipment	1,221	1,703
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	( 1,483)	( 563)
Net (gain)/loss on disposal of financial assets	2,539	12,962
Net (gain)/loss on foreign currency exchange	1,571	27,955
Recognition of provisions (Note 19 and 26)	18,115	9,547
Proceeds from guarantee deposits received	-	( 282)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	244	( 28,110)
Decrease (increase) in notes receivable	( 1,607)	645
Decrease (increase) in accounts receivable due from related parties	( 1,342)	765
Decrease (increase) in trade receivable	( 516,670)	22,696
Decrease (increase) in trade receivable due from related parties	( 29,720)	5,096
Decrease (increase) in other receivable	( 20,283)	6,447
Decrease (increase) in inventories	( 213,468)	( 11,700)
Decrease (increase) in other current assets	( 105,754)	( 21,213)
Increase (decrease) in financial liabilities held for trading	919	282
Increase (decrease) in contract liabilities	( 7,198)	( 13,165)
Increase (decrease) in accounts payable	196,376	( 79,925)
Increase (decrease) in other payable	49,854	( 71,359)
Increase (decrease) in provisions	( 9,641)	( 15,623)
Increase (decrease) in other current liabilities	<u>1,239</u>	<u>332</u>
Net cash flows from (used in) operating activities	( 379,876)	366,883

(Continued)

	2021	2020
Interest received	1,549	6,398
Interest paid	( 1,886)	( 9,031)
Income tax paid	( <u>70,723</u> )	( <u>78,455</u> )
Net cash generated from operating activities	( <u>450,936</u> )	<u>285,795</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	( 503)
Proceeds from sale of financial assets at fair value through other comprehensive income	126,979	50,412
Purchase of financial assets at amortized cost	( 1,387)	-
Purchase of financial assets at fair value through profit or loss	( 2,171)	( 64,313)
Proceeds from sale of financial assets at fair value through profit or loss	56,087	347,669
Acquisition of investments accounted for using equity method	-	( 10,690)
Payments for property, plant and equipment	( 1,101,721)	( 371,283)
Proceeds from disposal of property, plant and equipment	1,001	1,527
Payments for intangible assets	( 1,511)	-
Increase in refundable deposits	( 6,290)	-
Increase in other non-current assets	( 20,758)	( 11,675)
Interest received	<u>11,391</u>	<u>17,461</u>
Net cash used in financing activities	( <u>938,380</u> )	( <u>41,395</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,213,642	282,732
Repayments of short-term borrowings	( 547,733)	( 1,219,180)
Proceeds from issuance of convertible bonds	-	600,540
Proceeds from long-term borrowings	740,790	613,800
Proceeds from guarantee deposits received	4,979	384
Refund of guarantee deposits received	-	( 43)
Payments for buy-back of ordinary shares	( 21,450)	-
Changes in non-controlling interests	24,302	-
Repayment of the principal portion of lease liabilities	( 9,743)	( 6,761)
Cash dividends paid	( <u>198,177</u> )	( <u>270,842</u> )
Net cash flows from (used in) financing activities	<u>1,206,610</u>	<u>630</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	( <u>16,615</u> )	<u>9,700</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 199,321)	254,730
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>535,530</u>	<u>280,800</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 336,209</u>	<u>\$ 535,530</u>

(Concluded)

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

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

### Notes To Consolidated Financial Statements

#### For the Years Ended December 31, 2021 and 2020

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

#### 1. GENERAL INFORMATION

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

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 17, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies::

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and

exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 – Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary

differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that 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.

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

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

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

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

- (1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (2) The Group chose the accounting policy from options permitted by the standards;
- (3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (4) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the

- Group discloses those judgements or assumptions; or
- (5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

### b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Current liabilities include:

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

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

#### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

See Note 13 and Table 9 and Table 10 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

#### e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties 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.

l. 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

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any interest 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 Note32: 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.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

### c) Derecognition of financial assets

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

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

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

### a) Subsequent measurement

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

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

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

Fair value is determined in the manner described in Note 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.

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

The Group enters into derivative financial instruments are foreign exchange forward contracts, dual currency Investment and foreign exchange option to manage its exposure to foreign exchange rate risks.

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

derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

m. 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.

n. 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.

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. 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.

q. Government grants

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

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

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

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

r. 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

s. 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications climate change and related government policies and regulations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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.

The accounting policies, estimates and underlying assumptions adopted by the merging company are not subject to material uncertainty in accounting judgments, estimates and assumptions after being assessed by the management of the merging company.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 2,821	\$ 1,954
Checking accounts and demand deposits	329,533	448,363
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>3,855</u>	<u>85,213</u>
	<u>\$ 336,209</u>	<u>\$ 535,530</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank balance	0.01%~1.35%	0.01%~2.05%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		

Derivative financial assets (not under hedge accounting)		
– Redemption rights of convert bonds (note 21)	\$ -	\$ 60
Hybrid financial assets		
– Dual currency (a)	-	28,540
– Structured deposits (c)	26,266	52,452
	<u>\$ 26,266</u>	<u>\$ 81,052</u>

#### Financial liabilities-current

##### Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)	\$ -	\$ 447
– foreign exchange option (b)		

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

	Currency	Notional Amount (In Thousands)	Maturity Date	Exchange rate
<u>December 31, 2020</u>				
DCI	USD/RMB	USD 1,000	2021.1.11	Higher or equal to 6.59

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

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

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

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

- (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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Investments in debt instruments at FVTOCI	<u>\$ 135,268</u>	<u>\$ 284,691</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	\$ -	\$ 475
Investments in debt instruments at FVTOCI	<u>21,930</u>	<u>27,925</u>
	<u>\$ 21,930</u>	<u>\$ 28,400</u>

### a. Investments in equity instruments at FVTOCI

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Foreign investment		
Unlisted shares		
DCM International Corporation Limited	<u>\$ -</u>	<u>\$ 475</u>

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

In May 2021, the Group sold its shares in DCM in order to manage credit concentration risk. The shares sold had a fair value of \$214 thousand(241 thousand baht) and its related unrealized valuation gain of \$256 thousand was transferred from other equity to retained earnings

### b. Investments in debt instruments at FVTOCI

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Foreign investments		
Overseas bond investment	\$ 135,268	\$ 284,691
<u>Non-current</u>		
Foreign investments		
Overseas bond investment	<u>21,930</u>	<u>27,925</u>
	<u>\$ 157,198</u>	<u>\$ 312,616</u>

1) Refer to Note 10 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. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic investments		
Restricted deposit -time deposits	\$ <u>1,387</u>	\$ <u>-</u>

a. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

b. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

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

December 31, 2021

	<u>At FVTOCI</u>	<u>At Amortized Cost</u>
Gross carrying amount	\$ 157,528	\$ 1,387
Less: Allowance for impairment loss	( 2,416)	( -)
Amortized cost	155,112	<u>\$ 1,387</u>
Adjustment to fair value	4,818	
Effect of exchange rate changes	( 2,732)	
	<u>\$ 157,198</u>	

December 31, 2020

	<u>At FVTOCI</u>
Gross carrying amount	\$ 294,946
Less: Allowance for impairment loss	( 5,205)
Amortized cost	289,741
Adjustment to fair value	25,202
Effect of exchange rate changes	( 2,327)
	<u>\$ 312,616</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 publicly available 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 probability of default and loss given default of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
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
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

December 31, 2021

Category	Expected Loss Rate	Gross Carrying Amount Gross At FVTOCI
Performing	0%	\$ 117,662
Doubtful	0.52%~15.16%	34,222
In default	21.97%	5,644
Write-off	100%	-
		<u>\$ 157,528</u>

December 31, 2020

Category	Expected Loss Rate	Gross Carrying Amount Gross At FVTOCI
Performing	0%	\$ 208,040
Doubtful	1.37%~12.58%	86,906
In default	20.39%	-
Write-off	100%	-
		<u>\$ 294,946</u>

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

Credit Rating		
Performing	Doubtful (Lifetime)	In default (Lifetime)

	(12-month ECLs)	ECLs - Not Credit-impaired)	ECLs - Credit-impaired)
Balance at January 1,2021	\$ -	\$ 5,205	\$ -
From doubtful to in default	-	( 809 )	809
Derecognition ( b )	-	( 2,714 )	-
Change in model or risk parameters	-	35	-
Change in exchange rates or others	-	( 110 )	-
Balance at December 31,2021	<u>\$ -</u>	<u>\$ 1,607</u>	<u>\$ 809</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In default (Lifetime ECLs - Credit-impaired)
Balance at January 1,2020	\$ -	\$ 7,354	\$ -
From doubtful to in default	-	( 157 )	5,978
From in default to write-off	-	-	( 5,978 )
Derecognition ( a 、 b )	-	( 1,493 )	-
Change in exchange rates or others	-	( 499 )	-
Balance at December 31,2020	<u>\$ -</u>	<u>\$ 5,205</u>	<u>\$ -</u>

(a). On April 26, 2020, Company A applied to did not pay the interest of the bonds. The Group has no realistic prospect of recovery and has written off the in-default loss allowance of \$5,978 thousand.

(b). Investments in government bonds rated as doubtful at FVTOCI of \$124,775 thousand and \$22,846 thousand were sold during 2021 and 2020, respectively, with a consequential reduction in the loss allowance for investments rated as doubtful of \$2,714 thousand and \$1,493 thousand , respectively.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount- operating	\$ 3,402	\$ 1,795
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 3,402</u>	<u>\$ 1,795</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,419,208	\$ 932,527
Less: Allowance for impairment loss	( 2,993 )	( 1,869 )
	<u>\$ 1,416,215</u>	<u>\$ 930,658</u>
<u>Other receivables</u>		
Tax refund receivable	\$ 30,969	\$ 12,463
Interest receivable	6,445	5,784
Others	<u>2,409</u>	<u>6,911</u>
	<u>\$ 39,823</u>	<u>\$ 25,158</u>

(a)Notes receivable and trade receivable

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

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

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

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

December 31, 2021

	<u>Not Past Due</u>
Expected credit loss rate	0%
Gross carrying amount	\$ 3,402
Loss allowance (Lifetime ECLs)	<u>-</u>
Amortized cost	<u>\$ 3,402</u>

December 31, 2020

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

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

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0%~0.63%	0%~4.55%	0.01%~0.38%	0.89%	2.61%~100%	
Gross carrying amount	\$ 1,331,990	\$ 74,418	\$ 3,588	\$ 1,950	\$ 7,262	\$ 1,419,208
Loss allowance (Lifetime ECLs)	( 283)	( 255)	( 13)	( 17)	( 2,425)	( 2,993)
Amortized cost	<u>\$ 1,331,707</u>	<u>\$ 74,163</u>	<u>\$ 3,575</u>	<u>\$ 1,933</u>	<u>\$ 4,837</u>	<u>\$ 1,416,215</u>

December 31, 2020

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

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

	2021	2020
Balance at January 1	\$ 1,869	\$ 1,248
Add: Net remeasurement of loss allowance	1,186	646
Less: Amounts written off	-	-
Effect of exchange rate changes	( 62)	( 25)
Balance at December 31	<u>\$ 2,993</u>	<u>\$ 1,869</u>

(b) Other 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, 2020 and December 31, 2021, the expected credit loss ratio for the other receivables estimated by the Group has been 0%.

## 12. INVENTORIES

	December 31, 2021	December 31, 2020
Commodity	\$ 31,847	\$ 41,105
Finished goods	220,287	177,694
Work in process	151,999	88,130
Raw materials and supplies	132,954	94,753
Inventory in transit	91,252	29,111
	<u>\$ 628,339</u>	<u>\$ 430,793</u>

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

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	\$ 2,974,124	\$ 2,090,099
Inventory write-downs	12,080	6,743
	<u>\$ 2,986,204</u>	<u>\$ 2,096,842</u>

## 13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main business	% of ownership	
			December 31, 2021	December 31, 2020
M.J. International Co., Ltd. ("M.J. Group")	Prolong International Co., Limited. ("Prolong HK")	Investment holding	100%	100%
	M.J. International Flooring And Interior Products Inc. ("M.J. Taiwan")	Sale and processing of LVT and SPC floors	100%	100%
	Opulent International Group Limited ("Opulent")	International trade	100%	100%
	Fullhouse Investments Limited.	Investment holding	100%	100%



(Note 16)									
Effect of exchange rate changes	-	( 3,858)	( 4,485)	( 600)	( 537)	( 2,309)	( 875)	-	( 12,664)
Balance at December 31, 2021	<u>\$ 456,595</u>	<u>\$ 750,134</u>	<u>\$ 907,001</u>	<u>\$ 35,379</u>	<u>\$ 33,891</u>	<u>\$ 17,300</u>	<u>\$ 180,617</u>	<u>\$ 1,401,381</u>	<u>\$ 3,782,298</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2021	\$ -	\$ 251,136	\$ 468,742	\$ 27,799	\$ 21,541	\$ 11,204	\$ 91,923	\$ -	\$ 872,345
Disposals	-	-	( 4,993)	( 1,166)	-	( 98)	( 1,803)	-	( 8,060)
Depreciation expenses	-	34,287	72,430	2,858	3,545	1,560	29,898	-	144,578
Transfers to investment properties (Note 16)	-	( 7,560)	-	-	-	-	-	-	( 7,560)
Effect of exchange rate changes	-	( 1,314)	( 2,444)	( 162)	( 196)	( 333)	( 496)	-	( 4,945)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 276,549</u>	<u>\$ 533,735</u>	<u>\$ 29,329</u>	<u>\$ 24,890</u>	<u>\$ 12,333</u>	<u>\$ 119,522</u>	<u>\$ -</u>	<u>\$ 996,358</u>
Carrying amounts at December 31, 2021	<u>\$ 456,595</u>	<u>\$ 473,585</u>	<u>\$ 373,266</u>	<u>\$ 6,050</u>	<u>\$ 9,001</u>	<u>\$ 4,967</u>	<u>\$ 61,095</u>	<u>\$ 1,401,381</u>	<u>\$ 2,785,940</u>
<b>Cost</b>									
Balance at January 1, 2020	\$ 456,595	\$ 769,343	\$ 799,799	\$ 44,165	\$ 31,178	\$ 13,548	\$ 157,827	\$ 1,018	\$ 2,273,473
Additions	-	2,598	24,825	1,164	943	1,039	4,788	360,970	396,327
Disposals	-	-	( 24,112)	( 9,922)	( 3,362)	( 615)	( 2,216)	-	( 40,227)
Reclassified (Remark)	-	-	38,382	-	-	-	431	-	38,813
Effect of exchange rate changes	-	9,578	13,077	523	405	230	2,640	-	26,453
Balance at December 31, 2020	<u>\$ 456,595</u>	<u>\$ 781,519</u>	<u>\$ 851,971</u>	<u>\$ 35,930</u>	<u>\$ 29,164</u>	<u>\$ 14,202</u>	<u>\$ 163,470</u>	<u>\$ 361,988</u>	<u>\$ 2,694,839</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2020	\$ -	\$ 210,727	\$ 412,282	\$ 33,462	\$ 21,287	\$ 9,852	\$ 62,926	\$ -	\$ 750,536
Disposals	-	-	( 21,314)	( 9,599)	( 3,362)	( 506)	( 2,216)	-	( 36,997)
Depreciation expenses	-	36,494	70,563	3,529	3,295	1,631	29,610	-	145,122
Effect of exchange rate changes	-	3,915	7,211	407	321	227	1,603	-	13,684
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 251,136</u>	<u>\$ 468,742</u>	<u>\$ 27,799</u>	<u>\$ 21,541</u>	<u>\$ 11,204</u>	<u>\$ 91,923</u>	<u>\$ -</u>	<u>\$ 872,345</u>
Carrying amounts at December 31, 2020	<u>\$ 456,595</u>	<u>\$ 530,383</u>	<u>\$ 383,229</u>	<u>\$ 8,131</u>	<u>\$ 7,623</u>	<u>\$ 2,998</u>	<u>\$ 71,547</u>	<u>\$ 361,988</u>	<u>\$ 1,822,494</u>

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

There were no significant impairment losses for the years ended December 31, 2021 and December 31, 2020.

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

Buildings	
Main buildings	20~ 55Years
Others	3~20Years
Machinery and equipment	2~10Years
Molding equipment	2~5Years
Transportation equipment	4~5Years
Office equipment	3~5Years
Other equipment	3~10Years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 34.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31, 2021	December 31, 2020
<b>Carrying amounts</b>		
Land(Remark)	\$ 50,428	\$ 52,053
Buildings	<u>78,963</u>	<u>13,158</u>
	<u>\$ 129,391</u>	<u>\$ 65,211</u>
	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 83,713</u>	<u>\$ 1,946</u>
Depreciation expense		
Land	\$ 1,348	\$ 1,329
Bulidings	<u>17,434</u>	<u>6,361</u>
	<u>\$ 18,782</u>	<u>\$ 7,690</u>

Remark : The right-of-use assets include land use rights in mainland China. The Group has obtained the land use rights certificates issued by the government. Except for the

depreciation expenses obtained, added, and recognized by the business combination listed above, the combined company's right-of-use assets did not undergo significant sub-lease and impairment in 2021 and 2020.

b. Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Current	<u>\$ 21,727</u>	<u>\$ 6,241</u>
Non-Current	<u>\$ 64,615</u>	<u>\$ 7,732</u>

Range of discount rate for lease liabilities was as follows

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bulidings	2.76%~5%	3.30%~5%

c. Material lease-in activities and terms

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

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

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 11,648</u>	<u>\$ 3,365</u>
Total cash outflow for leases	<u>(\$ 23,270)</u>	<u>(\$ 10,883)</u>

**16. INVESTMENT PROPERTIES**

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 61,630
Transfers from property, plant and equipment	35,311
Effects of foreign currency exchange differences	( 584)
Balance at December 31, 2021	<u>\$ 96,357</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 18,232
Depreciation expenses	3,970
Transfers from property, plant and equipment	7,560
Effects of foreign currency exchange differences	( 98)
Balance at December 31, 2021	<u>\$ 29,664</u>
Carrying amounts at December 31, 2021	<u>\$ 66,693</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 60,679
Effects of foreign currency exchange differences	951
Balance at December 31, 2020	<u>\$ 61,630</u>

	<u>Buildings</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 14,917
Depreciation expenses	3,024
Effects of foreign currency exchange differences	<u>291</u>
Balance at December 31, 2020	<u>\$ 18,232</u>
Carrying amounts at December 31, 2020	<u>\$ 43,398</u>

(a).The lease term of investment real estate is 2 years, but the lessee has terminated the contract in advance in May 2020, and has forfeited its deposit, accounting for other benefits and losses. The merged company added a new lease agreement in October 2020. The lease period is 2 years, and the lessee does not have a bargain purchase options to acquire the investment properties at the expiry of the lease periods.

(b).The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Year1	\$ 3,871	\$ 2,303
Year2	1,760	2,111
Year3	<u>369</u>	<u>-</u>
	<u>\$ 6,000</u>	<u>\$ 4,414</u>

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

Building	35 Years
----------	----------

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value	<u>\$104,667</u>	<u>\$ 48,999</u>

(e).There was no indication of impairment for the year ended December 31, 2021 and 2020.

## 17. GOODWILL

	<u>2021</u>	<u>2020</u>
Cost		
Balance at January 1	\$ 8,355	\$ 8,795
Effect of foreign currency exchange differences	<u>( 235 )</u>	<u>( 440 )</u>
Balance at December 31	<u>\$ 8,1,20</u>	<u>\$ 8,355</u>

Management assessed that there was no significant impairment of goodwill for the year ended December 31, 2021 and 2020.

## 18. OTHER INTANGIBLE ASSETS

	Patents	Software	Customer Relationship	Total
<u>Cost</u>				
Balance at January 1,2021	\$ 967	\$ 438	\$ 38,037	\$ 39,442
Additions	-	1,511	-	1,511
Disposals	( 967)	-	-	( 967)
Effect of foreign currency exchange differences	-	-	( 1,069)	( 1,069)
Balance at December 31,2021	<u>\$ -</u>	<u>\$ 1,949</u>	<u>\$ 36,968</u>	<u>\$ 38,917</u>
<u>Accumulated amortization</u>				
Balance at January 1,2021	\$ 941	\$ 292	\$ 9,510	\$ 10,743
Amortization expenses	26	438	7,481	7,945
Disposals	( 967)	-	-	( 967)
Effect of foreign currency exchange differences	-	-	( 355)	( 355)
Balance at December 31,2021	<u>\$ -</u>	<u>\$ 730</u>	<u>\$ 16,636</u>	<u>\$ 17,366</u>
Carrying amounts at December 31,2021	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 20,332</u>	<u>\$ 21,551</u>
<u>Cost</u>				
Balance at January 1,2020	\$ 967	\$ 4,671	\$ 40,039	\$ 45,677
Disposals	-	( 4,021)	-	( 4,021)
Effect of foreign currency exchange differences	-	( 212)	( 2,002)	( 2,214)
Balance at December 31,2020	<u>\$ 967</u>	<u>\$ 438</u>	<u>\$ 38,037</u>	<u>\$ 39,442</u>
<u>Accumulated amortization</u>				
Balance at January 1,2020	\$ 828	\$ 3,783	\$ 2,002	\$ 6,613
Amortization expenses	113	734	7,893	8,740
Disposals	-	( 4,021)	-	( 4,021)
Effect of foreign currency exchange differences	-	( 204)	( 385)	( 589)
Balance at December 31,2020	<u>\$ 941</u>	<u>\$ 292</u>	<u>\$ 9,510</u>	<u>\$ 10,743</u>
Carrying amounts at December 31,2020	<u>\$ 26</u>	<u>\$ 146</u>	<u>\$ 28,527</u>	<u>\$ 28,699</u>

There was no indication of impairment for the year ended December 31, 2021 and 2020.

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

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

An analysis of depreciation by function :

	For the Year Ended December 31	
	2021	2020
Selling and marketing expenses	\$ 150	\$ 146

General and administrative expenses	<u>7,795</u>	<u>8,594</u>
	<u>\$ 7,945</u>	<u>\$ 8,740</u>

## 19. OTHER ASSETS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Offset Against Business Tax Payable	\$ 177,526	\$ 74,674
Prepayments	25,844	34,900
Others	<u>32,722</u>	<u>14,792</u>
	<u>\$ 236,092</u>	<u>\$ 124,366</u>
<u>Non-Currnt</u>		
Prepayments for equipment	\$ 13,285	\$ 13,747
Refundable deposit (a)	<u>52,079</u>	<u>45,848</u>
	<u>\$ 65,364</u>	<u>\$ 59,595</u>

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

## 20. BORROWINGS

### Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 658,874</u>	<u>\$ 894</u>

As of December 31, 2021 and 2020, the interest rates on the unsecured bank loans were 0.7%~0.8% and 0.7%~0.85%, respectively.

### Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings</u> (Note 34)		
Bank loans A (Note1)	\$ 353,600	\$ 353,600
Bank loans B (Note2)	1,000,990	260,200
Bank loans	865	-
Less: Discounts on government grant (Note29)	<u>( 54,191)</u>	<u>( 16,792)</u>
	<u>\$1,301,264</u>	<u>\$ 597,008</u>

Note 1: The group obtained a newly allocated bank loan of NT\$353,600,000. The loan interest rate is 1.45%, 10 years from the grant date on June 4, 2020, including grace period 3 years. Since the grace period expires, the principal will be amortized evenly in monthly installments, and the principal will be amortized evenly in 85 installments. The transfer amount is guaranteed by the land held by the combined company. Please refer to note 34.

Note 2: The Groups has obtained a government preferential interest rate loan from the National Development Fund (NDF), Executive Yuan " the Action Plan for Returning Overseas Taiwanese Businesses" for construction of factory buildings and purchase of machinery and equipment. The equipment under installation and construction in

progress were provided as collateral for bank borrowings, please refer to note 34.

## 21. Bonds payable

	<u>December 31,2021</u>	<u>December 31,2020</u>
Unsecured domestic convertible bonds	\$ 587,611	\$ 587,062
Less : Current portion	<u>-</u>	<u>-</u>
	<u>\$ 587,611</u>	<u>\$ 580,062</u>

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

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

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

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

At August 4, 2020 is used as the reference date for the determination of the conversion price. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$76. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. Since the Company applied for ex-dividend on August 12 2020, the conversion price of bonds was adjusted to \$71.4 per share. Since the Company applied for ex-dividend on July 28 2021, the conversion price of bonds was adjusted to \$67.7 per share.

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

Proceeds from issuance (less transaction costs of \$5,460 thousand)	\$ 600,540
Redemption component at the date of issue	120
Equity component	( 23,488 )
Liability component at the date of issue	577,172
Interest charged at an effective interest rate of 1.29%	<u>2,890</u>
Liability component at January 1,2021	580,062
Interest charged at an effective interest rate of 1.29%	<u>7,549</u>
Liability component at December 31,2021	<u>\$ 587,611</u>

## 22. OTHER LIABILITIES

	<u>December 31,2021</u>	<u>December 31,2020</u>
<u>Current</u>		
Other payables		
Payables for purchase of equipment(Note30)	\$ 62,480	\$ 48,631
Payables for salaries and (bonuses including remuneration to employees and directors)	55,259	69,468
Payables for employee benefits	47,765	40,598
Payable for gas and oil expenses	17,391	12,821
Payable for repairs maintenance	12,674	7,395

Payable for freight	25,121	6,811
Payable for utility fees	18,011	10,929
Payable for royalty	15,847	6,262
Payable for service fees	8,653	6,845
Tax payable	2,524	1,972
Others	<u>52,619</u>	<u>45,916</u>
	<u>\$ 318,344</u>	<u>\$ 257,648</u>

## 23. PROVISIONS

	<u>December 31,2021</u>	<u>December 31,2020</u>
<u>Current</u>		
Warranties	<u>\$ 16,336</u>	<u>\$ 8,192</u>
		<u>Warranties</u>
Balance at January 1,2021		\$ 8,192
Additional provisions recognized		18,115
Amount used		( 9,641)
Effect of foreign currency exchange differences		( <u>330</u> )
Balance at December 31,2021		<u>\$ 16,336</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 31,2021</u>	<u>December 31,2020</u>
Shares authorized (in thousands of shares)	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>66,059</u>	<u>66,059</u>
Issued capital	<u>\$ 660,590</u>	<u>\$ 660,590</u>

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

### b. Capital surplus

	<u>December 31,2021</u>	<u>December 31,2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Additional paid-in capital	\$ 1,189,103	\$ 1,189,103

Employee share bonus- additional paid-in capital	9,599	9,599
<u>May be used to offset a deficit only(2)</u>		
Employee share bonus- additional paid-in capital	7,265	7,265
<u>May not be used for any purpose</u>		
Share warrants ( Note 21 )	<u>23,488</u>	<u>23,488</u>
	<u>\$ 1,229,455</u>	<u>\$ 1,229,455</u>

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

c. Retained earnings and dividends policy

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

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(8) 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 above appropriations for cash dividends were resolved by the Company's board of directors on March 11, 2021 and March 5, 2020, respectively; the other proposed appropriations were resolved by the shareholders in their meeting on August 12, 2021 and June 9, 2020,, respectively.

	For the Year Ended, December 31	
	2020	2019
Legal reserve	<u>\$ 27,898</u>	<u>\$ 40,246</u>
Special reserve	<u>(\$ 8,887)</u>	<u>\$ 47,842</u>
Cash dividends	<u>\$ 198,177</u>	<u>\$ 270,842</u>
Cash dividends per share (NT\$)	\$ 3.0	\$ 4.1

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on March 17, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 6,858</u>
Special reserve	<u>(\$ 48,313)</u>
Cash dividends	<u>\$ 45,975</u>
Cash dividends per share (NT\$)	\$ 0.7

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 15, 2022.

d. Other equity items

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

	2021	2020
Balance at January 1	(\$ 144,203)	(\$ 138,545)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>( 27,929)</u>	<u>( 5,658)</u>
Other comprehensive income recognized for the year	<u>( 27,929)</u>	<u>( 5,658)</u>
Balance at December 31	<u>(\$ 172,132)</u>	<u>(\$ 144,203)</u>

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

	2021	2020
Balance at January 1	\$ 25,202	\$ 10,657
Recognized for the year		
Unrealized gain/(loss) - debt instruments	( 22,958)	1,583
Unrealized gain/(loss) - equity instruments	( 256)	-
Net remeasurement of loss allowance	<u>35</u>	<u>-</u>
	( 23,179)	1,583
Reclassification adjustments		
Disposal of investments in debt instruments	<u>2,539</u>	<u>12,962</u>
Other comprehensive income recognized for the year	( 20,640)	14,545
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal interests in subsidiaries	<u>256</u>	<u>-</u>
Balance at December 31	<u>\$ 4,818</u>	<u>\$ 25,202</u>

e. Non-controlling interests

	2021	2020
Balance at January 1	\$ 27,480	\$ 29,926
Share in loss for the year	( 7,084)	( 1,414)
Other comprehensive income/(loss) during the year		
Exchange differences on translating the financial statements of foreign entities	( 938)	( 1,032)
	<u>( 8,022)</u>	<u>( 2,446)</u>
Non-controlling interests arising from acquisition of subsidiaries	<u>24,302</u>	<u>-</u>
Balance at December 31	<u>\$ 43,760</u>	<u>\$ 27,480</u>

f. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2021	-
Increase during the year	380
Decrease during the year	<u>          </u>
Number of shares at December 31, 2021	<u>380</u>

On June 9, 2021, the Company's board of directors passed the resolution to buy back up to 750 thousand shares listed on the Taiwan Stock Exchange between June 10, 2021 and August 9, 2021, with the buyback price ranging from \$50 to \$70.

By the end of the repurchase period, the Company had bought back 380 thousand shares at a total amount of \$21,450 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

## 25. REVENUE

### a. Contract information- Revenue from the sale of goods

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

### b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Note receivable (including related party) (Notes 11 and 33)	<u>\$ 4,744</u>	<u>\$ 1,795</u>	<u>\$ 3,205</u>
Trade receivable (including related party) (Notes 11 and 33)	<u>\$ 1,462,030</u>	<u>\$ 969,451</u>	<u>\$ 1,050,251</u>
Contract liabilities			
Sale of goods	<u>\$ 22,640</u>	<u>\$ 29,967</u>	<u>\$ 42,952</u>

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

	2021	2020
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 22,240</u>	<u>\$ 42,024</u>

### c. Disaggregation of revenue

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

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

### a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 1,043	\$ 2,506
Financial assets at FVTPL	980	3,744
Investments in debt instruments at FVTOCI	<u>13,309</u>	<u>16,462</u>

\$ 15,332                      \$ 22,712

b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income		
Investment properties	\$ 2,274	\$ 1,413
Government grants	<u>900</u>	<u>9,815</u>
	<u>\$ 3,174</u>	<u>\$ 11,228</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Gain/(loss) on disposal of financial assets		
Investments in debt instruments at FVTOCI	(\$ 2,539)	(\$ 12,962)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	1,483	805
Financial liabilities held for trading	-	( 242)
Loss on disposal of property, plant and equipment	( 1,221)	( 1,703)
Gains on disposal of investments for using the equity method		-
Net foreign exchange gains/(losses)	( 30,250)	( 67,604)
Gain on confiscation of refundable deposit (Note 16)	-	282
Others	<u>9,381</u>	<u>13,500</u>
	<u>(\$ 23,146)</u>	<u>(\$ 67,924)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 9,890	\$ 8,697
Interest on convertible bonds (Note 21)	7,549	2,890
Interest on lease liabilities	1,879	757
Less: Amounts included in the cost of qualifying assets	( <u>5,617</u> )	( <u>3,011</u> )
	<u>\$ 13,701</u>	<u>\$ 9,333</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest amount	\$ 5,617	\$ 3,011
Capitalization rate	0.15% ~ 1.45%	1.45% ~ 1.65%

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 120,306	\$ 119,333
Operating expenses	<u>47,024</u>	<u>36,503</u>
	<u>\$ 167,330</u>	<u>\$ 155,836</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 7,945</u>	<u>\$ 8,740</u>

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Investment properties generating rental income		
Depreciation	\$ 3,970	\$ 3,024
Others	<u>593</u>	<u>438</u>
	<u>\$ 4,563</u>	<u>\$ 3,462</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plan(see Note)	\$ 25,468	\$ 4,945
Other employee benefits	<u>427,349</u>	<u>383,721</u>
Total employee benefits expense	<u>\$ 452,817</u>	<u>\$ 388,666</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 271,629	\$ 230,328
Operating expenses	<u>181,188</u>	<u>158,338</u>
	<u>\$ 452,817</u>	<u>\$ 388,666</u>

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

benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

h. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at rates of 1% to 6% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 11, 2021, respectively, are as follows: :

Accrual rate

	For the Year Ended December 31	
	2021	2020
Employees' compensation	4.56%	3.94%
Remuneration of directors	3.80%	3.54%

Amount

	For the Year Ended December 31	
	2021	2020
	cash	cash
Employees' compensation	\$ 3,415	\$ 15,394
Remuneration of directors	2,845	13,862

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, 2021 and 2020.

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

i. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 28,420	\$ 24,241
Foreign exchange losses	( 58,670)	( 91,845)
Net loss	( \$ 30,250)	( \$ 67,604)

## 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	
	2021	2020
Current tax		
In respect of the current year	\$ 18,530	\$ 84,243
Income tax on unappropriated earnings	113	278
Adjustments for prior year	( 2,636)	( 1,969)
	16,007	82,552
Deferred tax		
In respect of the current year	( 9,234)	1,684
	( 9,234)	1,684
Income tax expense recognized in profit or loss	<u>\$ 6,773</u>	<u>\$ 84,236</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 68,267</u>	<u>\$ 361,807</u>
Income tax expense calculated at the statutory rate	\$ 14,705	\$ 83,270
Tax-exempt income	( 4,342)	-
Nondeductible expenses in determining taxable income	7,708	2,856
Income tax on unappropriated earnings	113	278
Unrecognized deductible temporary differences	( 8,775)	( 199)
Adjustments for prior years' tax	( 2,636)	( 1,969)
Effect of tax rate changes	<u>\$ 6,773</u>	<u>\$ 84,236</u>

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%.

Green Touch Floors Inc., in accordance with the Canadian Tax Law meets the tax rate 26.5% and Ontario Provincial corporation tax 11.5%.

b. Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Tax refund receivable	\$ <u>1,997</u>	\$ <u>1,558</u>
Current tax liabilities		
Income tax payable	\$ <u>9,828</u>	\$ <u>65,129</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, 2021

	<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	\$ 142	(\$ 133)	\$ -	\$ 9
Inventory obsolescence and valuation loss	302	6,121	-	6,423
Unrealized gain or loss on exchange	511	1,768	( 23)	2,256
Provisions	1,639	1,695	( 66)	3,268
Refund liabilities	<u>373</u>	<u>( 217)</u>	<u>( 8)</u>	<u>148</u>
	<u>\$ 2,967</u>	<u>\$ 9,234</u>	<u>(\$ 97)</u>	<u>\$ 12,104</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Others	\$ <u>8,476</u>	\$ -	(\$ <u>46</u> )	\$ <u>8,430</u>

For the year ended December 31, 2020

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

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Unrealized gain or loss on exchange	\$ 620	(\$ 611)	(\$ 9)	\$ -
Others	<u>8,345</u>	<u>-</u>	<u>131</u>	<u>8,476</u>
	<u>\$ 8,965</u>	<u>(\$ 611)</u>	<u>\$ 122</u>	<u>\$ 8,476</u>

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

	December 31, 2021	December 31, 2021
Inventory obsolescence and valuation loss	<u>\$ 24,117</u>	<u>\$ 59,438</u>

- e. Income tax assessments

As of December 31, 2021, 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 2019, have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	\$ <u>1.04</u>	\$ <u>4.22</u>
Diluted earnings per share		
From continuing operations	\$ <u>1.02</u>	\$ <u>4.18</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	
	2021	2020
Profit for the year attributable to owners of the Company	\$ <u>68,578</u>	\$ <u>278,985</u>
Earnings used in the computation of basic earnings per share		
Effect of potentially dilutive ordinary shares :		
Convertible bonds	<u>7,549</u>	<u>2,950</u>
Earnings used in the computation of diluted earnings per share	\$ <u>76,127</u>	\$ <u>281,935</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	65,900	66,059
Effect of potentially dilutive ordinary		

	For the Year Ended December 31	
	2021	2020
shares		
Convertible bonds	8,403	1,125
Compensation of employees	<u>112</u>	<u>297</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,415</u>	<u>67,481</u>

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

## 29. GOVERNMENT GRANTS

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

The Groups has obtained a government preferential interest rate loan of \$NTD 740,790 and \$NTD 260,200 thousand from the National Development Fund (NDF), Executive Yuan "the Action Plan for Returning Overseas Taiwanese Businesses" for construction of factory buildings and purchase of machinery and equipment during January 27 to December 31, 2021 and July 3 to December 29, 2020, respectively. The loan will be amortized by instalments within 10 years from the date of first use (including a grace period of 3 years). Based on the current market interest rate of 1.65%, the fair value of the borrowing is estimated to be \$NTD 695,004 and \$NTD 242,985 thousand, respectively. The difference between the loan amount and the fair value of the borrowing is 45,786 and 17,215 thousand, respectively as the preferential interest rate of the government grant, and it is recognized as deferred income-non-current. The deferred income will be transferred to other income in accordance with its service life when the plant is completed and the inspection and acceptance of the machinery and equipment are completed. In 2021 and 2020, the Group recognized the interest expense of the loan as \$NTD 8,387 thousand and \$NTD 423 thousand, respectively.

If the Groups fails to meet the key points of the project loan identification during the loan period, and the NDF suspends or stops the loan interest grant, the Groups will change to the original agreed interest rate and return all the fees paid by the NDF for the case.

## 30. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

As of December 31, 2021 and 2020, the Group purchased property, plant and equipment amounting to 62,480 thousand and 48,631 thousand have not been paid, presented in other payables.

b. **Changes in liabilities arising from financing activities**  
For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes				Others(1)	Closing Balance
			Financial costs	New Leases	Fair Value Adjustments	Exchange Rate Change		
Short-term borrowings	\$ 894	\$ 665,909	\$ -	\$ -	\$ -	(\$ 7,929)	\$ -	\$ 658,874
Lease liabilities	13,973	( 9,743 )	1,879	83,713	-	( 1,601 )	( 1,879 )	86,342
Bonds payable	580,062	-	7,549	-	-	-	-	587,611
Long-term borrowings	597,008	740,790	8,387	-	( 47,786 )	865	-	1,301,264
Guarantee deposits received	391	4,979	-	-	-	( 2 )	-	5,368
	<u>\$1,192,328</u>	<u>\$1,401,935</u>	<u>\$ 17,815</u>	<u>\$ 83,713</u>	<u>( \$ 45,786 )</u>	<u>( \$ 8,667 )</u>	<u>( \$ 1,879 )</u>	<u>\$2,639,459</u>

For the year ended December 31, 2020

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

Remark1 : Including the amount of interest paid for the lease liability 1,879 thousand.

Remark2 : Including the amount of interest paid for the lease liability 757 thousand ,gain on confiscation of refundable deposit 282 thousand and issuing convertible corporate bonds to recognize related assets and equity , please refer to note21.

### 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

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 587,611	\$ 621,000	\$ -	\$ -	\$ 621,000
<u>December 31, 2020</u>					
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 580,062	\$ 629,700	\$ -	\$ -	\$ 629,700

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Hybrid financial assets Structured deposits	\$ -	\$ 26,266	\$ -	\$ 26,266
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments foreign debt instruments	\$ -	\$ 157,198	\$ -	\$ 157,198

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Hybrid financial assets – Dual currency	\$ -	\$ 28,540	\$ -	\$ 28,540
Hybrid financial assets Structured deposits	-	52,452	-	52,452
Redemption rights of convert bonds	-	-	60	60
	\$ -	\$ 80,992	\$ 60	\$ 81,052
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments foreign Unlisted shares	\$ -	\$ -	\$ 475	\$ 475
Investments in debt instruments foreign debt instruments	-	312,616	-	312,616
	\$ -	\$ 312,616	\$ 475	\$ 313,091
<u>Financial liabilities at FVTPL</u>				
Derivatives – foreign exchange option	\$ -	\$ 447	\$ -	\$ 447

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 2021 and 2020.

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

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2021	\$ 60	\$ 475
Recognized in profit or loss (included in other gains and losses)	( 60)	( 256)
Sales	-	( 214)
Effects of foreign currency exchange differences	-	( 5)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2021	\$ -	\$ -
Recognized in profit or loss (included in other gains and losses)	( 60)	-
Purchase	-	503
Redemption rights of convert bonds	120	-
Effects of foreign currency exchange differences	-	( 28)
Balance at December 31, 2021	<u>\$ 60</u>	<u>\$ 475</u>

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

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates and contractual forward exchange rates, discounted at a rate that reflects the credit risk of various
Hybrid financial assets - structured deposits	Discounted cash flow: Future cash flows are estimated based on the contractual rate of return.
Hybrid financial assets - Dual currency deposits	Discounted cash flow: Future cash flows are estimated based on the contractual rate of return.
Investment in foreign debt instruments	Measured by market quotes provided by third-party pricing services.

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

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

c. Categories of financial instruments

	<u>December 31,2021</u>	<u>December 31,2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 26,266	\$ 81,052
Financial assets at amortized cost (1)	1,865,303	1,565,319
Financial assets at FVTOCI		
Equity instruments	-	475
Debt instruments	157,198	312,616
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	447
Amortized cost (2)	3,192,377	1,597,198

- 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 (including related parties, exclusive of payable salary and bonus, payable accrued tax, payable pension and insurance premium) long-term borrowings, bonds payable.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, investment in equity and debt instruments, structured deposits, option, DCI ,notes receivable (including related parties), trade receivable (including related parties),refundable deposits, trade payables, short-term borrowings , lease liabilities and bonds payable.

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

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below) and other price risk (see (c) below).

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) and of the derivatives exposed to foreign currency risk at the end of the year, please see Note 7 and Note 37.

#### 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	
	2021	2020	2021	2020
Profit or (loss)	\$ 6,029	\$ 4,722	(\$ 98)	(\$ 4,745)

Primarily as a result of the Company's cash equivalents, receivables, payables and short-term borrowing denominated in USD or NTD which are still outstanding on the balance sheet date.

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

#### b) Interest rate risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial assets	\$ 149,883	\$ 380,794
Financial liabilities	1,166,692	594,929
Cash flow interest rate risk		
Financial assets	357,498	511,931
Financial liabilities	1,467,399	597,008

#### Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by \$(11,099) thousand and \$(851) thousand, respectively, which was mainly a result of the group's exposure to the risk of interest rate changes on its bank deposits, structured deposits, investment in debt instruments and bank loan at the floating interest rate.

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

#### c) Other price risk

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

#### Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2020 would have increased/decreased by \$5 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

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

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

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

The Group's credit risk is concentrated on the key customers from which the annual sales revenue amounts to more than 10% of the Group's total revenue. Until December 31, 2021 and 2020, the total receivable accounts from said customers have accounted for 93% and 87% 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, 2021 and 2020 the Group had available unutilized short-term bank loan facilities set out in (b) 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.

December 31, 2021

	1-3 Months	3 Months to 1 Year	1-5 Years	5+years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 638,166	\$ 6,073	\$ 389	\$ -
Lease liabilities	2,389	21,155	67,075	-
Variable interest rate liabilities	1,748	171,977	894,002	544,942
Fixed interest rate liabilities	<u>493,997</u>	<u>5,770</u>	<u>592,353</u>	<u>-</u>
	<u>\$1,136,300</u>	<u>\$ 204,975</u>	<u>\$1,553,819</u>	<u>\$ 544,942</u>

December 31, 2020

	1-3 Months	3 Months to 1 Year	1-5 Years	5+years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 416,786	\$ 2,057	\$ 391	\$ -
Lease liabilities	1,862	5,617	9,390	-
Variable interest rate liabilities	1,378	4,139	243,848	403,000
Fixed interest rate liabilities	<u>894</u>	<u>-</u>	<u>604,500</u>	<u>-</u>
	<u>\$ 420,920</u>	<u>\$ 11,813</u>	<u>\$ 858,129</u>	<u>\$ 403,000</u>

b) Financing facilities

	<u>December 31,2021</u>	<u>December 31,2020</u>
Unsecured bank overdraft facilities		
Amount used	\$ 659,739	\$ 894
Amount unused	<u>1,347,126</u>	<u>1,604,985</u>
	<u>\$ 2,006,865</u>	<u>\$ 1,605,879</u>
Secured bank overdraft facilities		
Amount used	\$ 1,354,590	\$ 613,800
Amount unused	<u>311,810</u>	<u>1,391,995</u>
	<u>\$1,666,400</u>	<u>\$2,005,795</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

Related Party Name	Related Party Category
Sing Cheng Lin Co., Ltd. (“Sing Cheng”)	Related party in substance
Fu Ming Corporate (“Fu Ming”)	Related party in substance
G.T Floor Co., LTD. (“G.T Floor”)	Related party in substance
DCM International Corporation Limited ( “DCM” )	Related party in substance

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
sales	Related party in substance	<u>\$ 187,559</u>	<u>\$ 166,680</u>

Since no identical transactions for the sale price are available for comparison, the price and terms were determined in accordance with mutual agreements. The payment terms were O/A 90 days.

c. Receivables from related parties

Line Item	Related Party Category	December 31,2021	December 31,2020
Notes receivable	Related party in substance		
	Sing Cheng	<u>\$ 1,342</u>	<u>\$ -</u>
Trade receivable	Related party in substance		
	Sing Cheng	\$ 26,714	\$ -
	G.T Floor	16,314	18,839
	Fu Ming	2,787	19,703
	DCM	<u>-</u>	<u>251</u>
		<u>\$ 45,815</u>	<u>\$ 38,793</u>

The outstanding receivables from related parties were unsecured. No allowance for loss/bad debt was provided for the receivables from related parties in 2021 and 2020.

d. Compensation of key management personnel

Line Item	Related Party Category	December 31,2021	December 31,2020
Other payables	Related party in substance		
	G.T Floor	<u>\$ 27</u>	<u>\$ -</u>

e. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020年度
Short-term employee benefits	\$ 19,670	\$ 36,876
Post-employment benefits	<u>442</u>	<u>608</u>
	<u>\$ 20,112</u>	<u>\$ 37,484</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 31,2021</u>	<u>December 31,2020</u>
Financial assets at fair value through other comprehensive income	\$ 220,135	\$ 220,135
Financial assets at amortized cost	1,387	-
Land	447,202	447,202
Equipment under installation and construction in progress	<u>1,401,381</u>	<u>361,988</u>
	<u>\$1,971,641</u>	<u>\$1,029,325</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, 2021 and 2020 were as follows:

Unrecognized commitments were as follows:

	<u>December 31,2021</u>	<u>December 31,2020</u>
Acquisition of property, plant and equipment		
In Thousands of RMB	<u>\$ 5,735</u>	<u>\$ 1,967</u>
In Thousands of NTD	<u>\$ 615,704</u>	<u>\$ 812,101</u>

### 36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Due to the impact of the COVID-19 pandemic ,the Group’s production plant of China implement control measures in accordance with local government regulations.As at the date of the issuance of this consolidated financial report, there has been no material impact on the production of such plants. However, the degree of impact on the revenue of the Group still depends on the subsequent control of the epidemic.

### 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, 2021

<u>Foreign Currency</u> ( thousand )	<u>Exchange Rate</u>	<u>Carrying</u> <u>Amount</u>
---	----------------------	----------------------------------

<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 632	27.68 (USD:NTD)	\$ 17,480
USD	22,254	6.3757 (USD:RMB)	615,928
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	659	27.68 (USD:NTD)	18,252
USD	445	6.3757 (USD:RMB)	12,304
NTD	9,801	0.0361 (NTD:USD)	9,801

December 31, 2020

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

The significant gains or losses on foreign exchange are stated as following:  
For the years ended December 31, 2021 and 2020, net foreign exchange gains (losses) were ( 30,250) thousand and (67,604) 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 (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of

- the paid-in capital (Table 5)
- 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 6)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
  - 9) Trading in derivative instruments (Note 7 and 21)
  - 10) Intercompany relationships and significant intercompany transactions (Table 8)
- b. Information on investees (Table 9)
  - c. Information on investments in mainland China
    - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 10)
    - 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 10):
      - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
      - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
      - c) The amount of property transactions and the amount of the resultant gains or losses
      - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
      - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
      - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
  - d. Information of major shareholders (Table 11)

### **39. SEGMENT INFORMATION**

a. Information about significant transactions and investees:

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

- a) The nature of the products and production processes are similar.
- b) The product pricing strategies are similar.
- c) The methods used to distribute the products to the customers are the same.

b. Revenue from major products

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

	For the Year Ended December 31	
	2021	2020
LVT and SPC floors	<u>\$ 3,610,670</u>	<u>\$ 2,882,490</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	
	2021	2020
Europe	\$ 2,411,952	\$ 1,692,938
North America	515,884	450,880
Mainland China	209,953	192,623
Taiwan	195,250	265,786
Others	<u>277,631</u>	<u>280,263</u>
	<u>\$ 3,610,670</u>	<u>\$ 2,882,490</u>

	Non-current Assets	
	December 31, 2021	December 31, 2020
	Mainland China and Hong Kong	\$ 1,108,036
Taiwan	1,881,343	835,289
Others	<u>35,601</u>	<u>47,190</u>
	<u>\$ 3,024,980</u>	<u>\$ 1,981,904</u>

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

d. Information about major customers

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

	For the Year Ended December 31	
	2021	2020
Group P	<u>\$ 2,598,068</u>	<u>\$ 1,890,633</u>

TABLE1

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (3)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (2)	Aggregate Financing Limit (2)
													Item	Value		
0	M.J. Group	Opulent(5)	Other receivable -related party	Yes	\$ 453,000	\$ 453,000	-	0%	Short-term financing	\$ -	Repay borrowinf	\$ -	-	-	\$ 973,112	\$ 973,112
0	M.J. Group	M.J. Taiwan	Other receivable -related party	Yes	200,000	200,000	-	0%	Short-term financing	-	Operating capital	-	-	-	973,112	973,112
1	Prolong Dongguan	M.J. Shanghai	Other receivable -related party	Yes	164,977 ( RMB 38,000 )	164,977 ( RMB 38,000 )	149,782 ( RMB 34,500 )	3%	Short-term financing	-	Operating capital	-	-	-	334,826	558,044
		M.J. Dongguan	Other receivable -related party	Yes	130,245 ( RMB 30,000 )	130,245 ( RMB 30,000 )	-	3%	Short-term financing	-	Operating capital	-	-	-	334,826	558,044
2	Opulent	M.J. Taiwan	Other receivable -related party	Yes	200,000	200,000	-	1%	Short-term financing	-	Operating capital	-	-	-	264,683	441,138

Note1 : The number column is organized as follows :

- (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 60% 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 40% of the net worth of the financing company's most recent financial statements.

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

Note 4 : The interest income of financing provided Prolong Dongguan NT\$4,331 thousand.

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

Note 6 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date( exchange rate on December 31,2021 was USD/NTD:27.6800, RMB/NTD:4.3415, average rate was USD/NTD:28.009,RMB/NTD:4.3417)

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party(3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount(4)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit(3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (2)										
0	M.J. Group	Opulent	(2)	\$3,649,170	\$1,678,720	\$1,678,720	\$591,874	N/A	69.00	\$7,298,340	Yes	No	No
		M.J. Taiwan	(2)	3,649,170	3,000,000	3,000,000	1,421,590	N/A	123.32	7,298,340	Yes	No	No

Note1: The number column is organized as follows :

- (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.

M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
MARKETABLE SECURITIES HELD  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note1)	Relationship with the Holding Company(2)	Financial Statement Account	December 31, 2020				Note	
				Number of Shares	Carrying Amount (3)	Percentage of Ownership (%)	Fair Value		
Opulent	Banco Santander S.A. 5.179%11/19/2025 DTD 11/19/2015	—	Financial assets at fair value through other comprehensive income – Current	-	\$ 30,751	-	\$ 30,751	Pledged borrowings	
	Credit Agricole S.A. London Branch 4.125% 01/10/2027 DTD 01/10/2017	—	"	-	30,415	-	30,415	"	
	Societe Generale S.A. 4%01/12/2027 DTD 01/12/2017	—	"	-	29,907	-	29,907	"	
	Banque Ouset Africaine de Developpement 5.0%07/27/2027 DTD 07/27/2017	—	"	-	30,598	-	30,598	"	
	Golden Legacy Pte. Ltd. 6.875%3/27/2024 DTD 3/27/2017	—	"	-	1,118	-	1,118	(4)	
	Indika Energy Capital III Pte-Anleihe 5.875%11/9/2024 DTD 11/9/2017	—	"	-	5,591	-	5,591	"	
	Yuzhou Properties Company Limited 6.00%1/25/2022 DTD 1/25/2017	—	"	-	2,690	-	2,690	"	
	Times Property Holdings Limited 6.600%3/2/2023 DTD 11/30/2017	—	"	-	<u>4,198</u>	-	<u>4,198</u>	"	
						<u>\$ 135,268</u>		<u>\$ 135,268</u>	
	Softbank Group Corp 6.875%Perpetual DTD 7/19/2017	—		Financial assets at fair value through other comprehensive income –noncurrent	-	\$ 5,550	-	\$ 5,550	(4)
	RKP Overseas Finance 2016 (A) Limited 7.95%Perpetual DTD 2/17/2017	—		"	-	4,801	-	4,801	"
	HSBC Holdings PLC, 6%Perpetual DTD 5/22/2017	—		"	-	5,958	-	5,958	"
Standard Chartered PLC 7.5%Perpetual DTD 8/18/2016	—		"	-	<u>5,621</u>	-	<u>5,621</u>	"	
					<u>\$ 21,930</u>		<u>\$ 21,930</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.

TABLE 4

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition(3)		Disposal			Other Adjustment(2)		Ending Balance		
					Number of Shares	Amount	Number of Shares	Number of Shares	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount	Number of Shares	Amount
M.J. Group	Stock M.J. Taiwan	Investments counted for using the equity method	-	subsidiaries	5	\$ 146,429	25	\$ 250,000	-	\$ -	\$ -	\$ -	-	(\$ 7661)	30	\$ 388,768

Note 1: The marketable securities referred to herein shall mean the stocks, bonds, beneficiary certificates and securities derivative from said instruments .

Note2: Other Adjustment is investment profit or loss recongnized during this period.

Note3: Intercompany balances and transactions were eliminated upon consolidation.

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
M.J. Taiwan	Construction of plant in Tainan	2020/8/17	\$ 1,000,000	\$530,000, By the end of 2021, 830,000 thousand has been paid ( Construction in Progress )	Xu Yuan construction Co.,Ltd.	None	N/A	N/A	N/A	N/A	N/A	Manufacturing purpose	None

TABLE6

**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, 2021**  
**(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)	( \$ 183,071 )	( 5% )	120 days after monthly closing days	\$	-	\$ 14,703	1%	5
	M.J. Dongguan	Associate	Purchase	2,058,990	65%	120 days after monthly closing days	-	-	( 417,822 )	( 65% )	5
	Prolong Dongguan	Associate	Purchase	974,723	31%	120 days after monthly closing days	-	-	( 198,149 )	( 31% )	5
M.J. Dongguan	Opulent	Associate	(Sale)	( 2,058,990 )	( 92% )	120 days after monthly closing days	-	-	417,822	89%	3 and 5
Prolong Dongguan	Opulent	Associate	(Sale)	( 974,723 )	( 98% )	120 days after monthly closing days	-	-	198,149	97%	4 and 5
M.J. Taiwan	Opulent	Associate	Purchase	183,071	100%	120 days after monthly closing days	-	-	( 14,703 )	( 97% )	5

Note1: Intercompany balances and transactions were eliminated upon consolidation.

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

Note3: Unrealizes gain on transactions is 2,182 thousand.

Note4: Unrealizes gain on transactions is 1,033 thousand.

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

Note 6 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date( exchange rate on December 31,2021 was USD/NTD:27.6800, RMB/NTD:4.3415, average rate was USD/NTD:28.009,RMB/NTD:4.3417)

TABLE7

**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, 2021**  
**(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 417,822	5.69 次	-	—	394,664	-
Prolong Dongguan	Opulent	Associate	Trade Receivable 198,149	5.30 次	-	—	198,149	-
	M.J. Shanghai	Associate	Other receivables 150,531 (Note 3)	-	-	—	-	-

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

Note 2: The amount received in the subsequent period means that the collection was made by March 17, 2022.

Note 3: The amount bears interest receivable 749 thousand.

Note 4: If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date (exchange rate on December 31, 2021 was USD/NTD:27.6800, RMB/NTD:4.3415)

TABLE 8

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transactions Details			
				Financial Statements Account	Amount (Notes 4)	Payment Terms	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	M.J. Group	Opulent	(1)	Endorsement/guarantee	\$ 1,678,720	—	28%
		M.J. Taiwan	(1)	Endorsement/guarantee	3,000,000	—	50%
		M.J. Taiwan	(1)	Cash capital increase	250,000	—	4%
		M.J. Taiwan	(1)	Prepaid Investments	300,426	—	5%
1	Opulent	M.J. Taiwan	(3)	Sales	183,071	the selling price based on the cost, 120 days after monthly closing days	5%
		M.J. Taiwan	(3)	Trade receivable	14,703	—	-
		M.J. Group	(2)	Earning Repatriation	184,579	—	5%
		M.J. Dongguan	(3)	Sales	65,690	the selling price based on the cost, 120 days after monthly closing days	2%
2	M.J. Dongguan	Prolong Dongguan	(3)	Sales	61,402	the selling price based on the cost, 120 days after monthly closing days	2%
		Opulent	(3)	Sales	2,058,990	the selling price based on the cost, 120 days after monthly closing days	57%
		Opulent	(3)	Trade receivable	417,822	—	7%
		Prolong Dongguan	(3)	Sales	21,304	the selling price based on the cost, 120 days after monthly closing days	1%
		M.J. Beijing	(3)	Sales	17,540	the selling price based on the cost, 120 days after monthly closing days	-
		M.J. Beijing	(3)	Trade receivable	17,935	—	-
		M.J. Shanghai	(3)	Sales	43,321	the selling price based on the cost, 120 days after monthly closing days	1%
		M.J. Shanghai	(3)	Trade receivable	23,165	—	-
		M.J. Guangzhou	(3)	Sales	42,917	the selling price based on the cost, 120 days after monthly closing days	1%
		M.J. Wuhan	(3)	Sales	22,160	the selling price based on the cost, 120 days after monthly closing days	1%
3	Prolong Dongguan	Changchun MH	(3)	Capital increase	60,784	—	1%
		Opulent	(3)	Sales	974,723	the selling price based on the cost, 120 days after monthly closing days	27%
		Opulent	(3)	Trade receivable	198,149	—	3%
		M.J. Shanghai	(3)	Other receivables	150,531	Financing (including interest receivable 749)	3%
4	M.J. Guangzhou	M.J. Dongguan	(3)	Earning Repatriation	17,366	—	-

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 International Group Limited is primarily engaged in international trading. M.J. International Flooring And Interior Products Inc. is primarily engaged in sale and processing of LVT and SPC floors. 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. 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. Changchun MH is primarily engaged in production and sale of tiles, decoration materials and construction 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.

Note 5 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date ( exchange rate on December 31, 2021 was USD/NTD:27.6800, RMB/NTD:4.3415, average rate was USD/NTD:28.009, RMB/NTD:4.3417)

TABLE 9

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**INFORMATION ON INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount			
M.J. Group	Prolong HK	Hong Kong	Investment holding	\$ 400,253 (USD 14,460)	\$ 400,253 (USD 14,460)	-	100	\$ 1,839,999	\$ 26,293	\$ 26,293	1 and 2
	Opulent	Hong Kong	International trading	240,816 (USD 8,700)	240,816 (USD 8,700)	8,700	100	441,130	63,081	63,327	1,2 and 5
	M.J. Taiwan	Taiwan	Sale and processing of plastic tiles, decoration materials and construction materials.	288,000	38,000	30	100	388,768	( 7,661)	( 7,661)	1,2 and 6
	Fullhouse Investments Limited.	Samoa	Investment holding	48,474 (USD 1,751)	48,474 (USD 1,751)	-	100	47,971	( 322)	( 322)	1 and 2
Fullhouse Investments Limited.	Green Touch Floors Inc.	Canada	Sale of engineered wood floors, LVT floors decoration materials and construction materials.	47,780 (USD 1,726)	47,780 (USD 1,726)	60	60	47,631	7,001	( 288)	1,2 and 5

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

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

Note 3: Refer to Table 10 for information on investment in mainland China.

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

Note 5: The income or loss of investee includes the effect of unrealized gross profit on intercompany transactions, the amortization expenses of intangible assets arising from mergers and acquisitions.

Note 6: On November 5, 2020, the board of directors of the group decided to increase its investment by M.J. Taiwan. The Group invested M.J. Taiwan 250,000 thousand in February 2021.

TABLE 10

**M. J. INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**INFORMATION ON INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital Note (6)(7)	Method of Investment Note (1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	% 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, 2021 Note (3) and (5)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
M.J. Dongguan	Production and sale of tiles, decoration materials and construction materials, and investment holding.	\$ 893,250 (USD 32,271) (Note7)	(b) (1)	\$ -	\$ -	\$ -	\$ -	100	\$ 22,004	\$ 21,411	\$ 1,282,371	\$ -
Prolong Dongguan	Production and sale of tiles, decoration materials and construction materials, and investment holding.	278,732 (HKD 78,538)	(b) (1)	-	-	-	-	100	5,487	4,979	557,021	-
M.J. Chongqing	Sale of plastic tiles, decoration materials and construction materials.	34,732 (RMB 8,000)	(b) (2)	-	-	-	-	100	( 1,924)	( 1,924)	11,142	-
M.J. Beijing and	Sale of plastic tiles, decoration materials and construction materials	52,098 (RMB 12,000)	(b) (2)	-	-	-	-	100	( 9,676)	( 9,676)	5,159	-
M. J. Shanghai	Sale of plastic tiles, decoration materials and construction materials	204,050 (RMB 47,000)	(b) (2)	-	-	-	-	100	( 5,724)	( 5,724)	118,130	-
M. J. Guangzhou	Sale of plastic tiles, decoration materials and construction materials	13,025 (RMB 3,000)	(b) (2)	-	-	-	-	100	( 788)	( 788)	17,487	-
M.J. Wuhan	Sale of plastic tiles, decoration materials and construction materials	47,757 (RMB 11,000)	(b) (2)	-	-	-	-	100	1,060	1,060	39,661	-
Changchun MH	Production and sale of tiles, decoration materials and construction materials.	85,093 (RMB 19,600)	(b) (2)	-	-	-	-	70	( 24,121)	( 16,884)	45,304	-
M.J.Xian	Sale of plastic tiles, decoration materials and construction materials	21,708 (RMB 5,000)	(b) (2)	-	-	-	-	100	( 2,618)	( 2,618)	19,067	-
M.J. Shenyang	Sale of plastic tiles, decoration materials and construction materials	20,808 (RMB 4,793) (Note7)	(b) (2)	-	-	-	-	100	( 993)	( 993)	14,210	-

<b>Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020</b>	<b>Investment Amount Authorized by the Investment Commission, MOEA</b>	<b>Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA</b>
Note(4)	Note(4)	Note(4)

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

- (a) Direct investment in companies in the territories of mainland China.
- (b) Through investing in an existing company in the third area, which then investing in the investee in Mainland China.
  - (1) Investment in companies in mainland China via the company in a third territory (Prolong International Company Limited).
  - (2) Investment in companies in mainland China via M.J. Dongguan and Prolong Dongguan reinvested by the company in a third territory (Prolong International Company Limited).
- (c) Other modes.

Note 2: In the recognized current investment income section:

- (a) To be noted, if it is under preparation and no investment income has generated therefor.
- (b) The basis for recognition of investment income may be categorized into the following three types. Please identify it.
  - (1) Financial statements audited by the international CPA firm which enters into cooperative relationship with any R.O.C. CPA firm.
  - (2) Financial statement audited by the independent external auditor of the parent company in Taiwan.
  - (3) Others.

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

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

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

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

Note 7: Changes in paid-in capital are mainly due to capital increase and capital reduction. Please refer to Note 13.

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 6.
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 6.
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: Please see Table 2.
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 receiving of services.:None.

**M. J. INTERNATIONAL CO., LTD.  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

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

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

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