Stock Code:1532

CHINA METAL PRODUCTS CO., LTD.

FINANCIAL STATEMENTS

with Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

Table of Contents

Independent Auditors' Report

To the Board of Directors of China Metal Products Co., Ltd.:

Opinion

We have audited the financial statements of China Metal Products Co., Ltd.("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of financial statements for the year ended December 31, 2018 of the Group. Those matters have been addressed in our audit opinion on the said financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

   For the revenue recognition account policy, please refer to Note4(r); for the details of the revenue recognition during the years, please refer to Note 6(t).

   Description of key audit matter:

   China Metal Products Co., Ltd.'s revenue from the sale of the steel products is recognized when the control of the goods has been transferred to the customer and there is no continuing management involvement and effective control with the goods. The revenue is recognized when the control of the goods has been transferred which is deemed by transaction terms in each sales contract stipulated by the customer and China Metal Products Co., Ltd.. The operating revenue from the sale of the steel products is easily affected by the law of supply and demand principal and other factors in the market. Therefore, the revenue recognition is considered as one of the key audit matters.

Corresponding audit procedure:

Our main audit procedures for the above key audit matters includes: understanding and testing the design, operation and implantation of the effectiveness of internal control on revenue recognition of China Metal Products Co., Ltd.; understanding the major types of revenue, contract terms and transaction terms to determine the appropriateness timing of revenue recognition, also sampling the major customers and reviewing the contracts and sales orders to evaluate the revenue recognition; sampling the transaction records of sales around the balance sheet date and obtaining the transaction documents to evaluate the appropriateness timing of revenue recognition; understanding if there is significant allowance for sales return and discount for the days before and after the reporting date.

2. Impairment assessment of investments accounted for using equity method

   For the accounting policy of investments accounted for using equity method’s impairment assessment please refer to the Note 4(i) Investment in associates ; for the details of investments accounted for using equity method’s impairment assessment, please refer to Note 6(g) Investments accounted for using equity method.

   Description of key audit matter:

   Sunflower Investment Co., Ltd., the subsidiary of the Company, had sought administrative remedies for the administrative penalties arose from enterprise income tax, value-added tax, and undistributed earning tax of the Daguangsan non-performing receivable case, which the total amount of tax and penalties amounted to $564,452 thousand. As of the reporting date, the Company has paid $46,174 thousand and estimated the regarding litigation provision at $236,052 thousand.

   The estimation of litigation contingent liabilities is based on the management's assessment of the result of litigation which is likely to be unfavorable to the Company. However, there are significant uncertainties in the litigation. Therefore, the litigation provision estimation is considered as one of the key audit matters.

   Corresponding audit procedure:

   Our main audit procedures for the above key audit matters include: interviewing the Company's management to understand the method of assessment; obtaining management's major litigation memorandum and its provision assessment documents, and reviewing the latest court verdict documents of the major litigation to assess the reasonableness of their estimates; obtaining auditors' legal confirmation letters from external lawyers to verify the progress of pending litigation; assessing whether the Company’ s pending litigation cases and contingent liabilities have been properly disclosed.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing China Metal Products Co., Ltd.’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 China Metal Products Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing China Metal Products Co., Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

As part of an audit in accordance with 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 misstatement of the 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 China Metal Products Co., Ltd.'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 China Metal Products Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause China Metal Products Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the entities or business activities within China Metal Products Co., Ltd. to express an opinion on the 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 financial statements of the current period 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 Ti-Nuan Chien and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

The accompanying financial statements are intended only to present the balance sheets financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 1,195,412	7	1,091,612	6
1170	Notes and accounts receivable, net (Notes 6(d) and (t))	287,693	1	388,660	2
1180	Accounts receivable due from related parties, net (Note 7)	33,227	-	30,601	-
130X	Inventories (Note 6(e))	109,278	1	88,087	1
1410	Prepayments	20,451	-	21,492	-
1460	Non-current assets held for sale, net (Note 6(f))	-	-	233,460	1
1470	Other current assets	22,481	-	16,245	-
1476	Other current financial assets (Note 7)	114,192	1	105,873	1
	Total current assets	1,782,734	10	1,976,030	11
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	207,818	1	-	-
1543	Non-current financial assets measured at cost (Note 6(b))	-	-	138,428	1
1550	Investments accounted for using equity method (Notes 6(g), (h) and 8)	14,050,807	77	12,984,499	76
1600	Property, plant and equipment (Notes 6(i), 7 and 8)	814,517	4	805,677	5
1760	Investment property, net (Note 6(j))	146,878	1	146,878	1
1780	Intangible assets	12,843	-	11,353	-
1840	Deferred tax assets (Note 6(q))	9,206	-	7,825	-
1900	Other non-current assets (Notes 6(i) and 7)	456,643	3	296,194	2
1980	Other non-current financial assets (Notes 6(k) and 7)	678,031	4	678,555	4
	Total non-current assets	16,376,743	90	15,069,409	89
	Total assets	$ 18,159,477	100	17,045,439	100

	Liabilities and equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6(l))	$ 649,672	4	400,942	3
2130	Current contract liabilities (Note 6(t))	4,530	-	-	-
2170	Notes and accounts payable	273,652	2	341,963	2
2200	Other payables (Note 7)	317,449	2	266,210	2
2230	Current income tax liabilities (Note 6(q))	14,472	-	16,265	-
2300	Other current liabilities	12,638	-	3,620	-
2310	Advance receipts (Note 7)	1,700	-	16,208	-
2360	Current net defined benefit liability (Note 6(p))	1,389	-	1,389	-
2322	Long-term borrowings, current portion (Note 6(m))	-	-	40,000	-
	Total current liabilities	1,275,502	8	1,086,597	7
	Non-current liabilities:				
2541	Long-term borrowings (Note 6(m))	3,628,798	20	3,869,822	23
2640	Non-current net defined benefit liability (Note 6(p))	2,803	-	11,288	-
2570	Deferred tax liabilities (Note6(q))	448,979	2	417,894	2
2600	Other non-current liabilities (Note 6(n))	59,498	-	13,798	-
	Total non-current liabilities	4,140,078	22	4,312,802	25
	Total liabilities	5,415,580	30	5,399,399	32
	Equity attributable to owners of parent (Note 6(r)):				
3100	Ordinary shares	3,852,521	21	3,852,521	23
3200	Capital surplus	1,525,666	8	1,522,961	9
3300	Retained earnings	7,159,640	40	5,878,089	34
3400	Other equity	206,070	1	392,469	2
	Total equity	12,743,897	70	11,646,040	68
	Total liabilities and equity	$ 18,159,477	100	17,045,439	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(t), (u) and 7)**	$ 1,383,562	100	1,195,862	100
5000	**Operating costs (Notes 6(e) and 7)**	(852,237)	(62)	(723,797)	(61)
	Gross profit from operations	531,325	38	472,065	39
	Operating expenses (Note 7):				
6100	Selling expenses	(37,680)	(3)	(30,827)	(3)
6200	Administrative expenses	(616,899)	(44)	(532,318)	(45)
6300	Research and development expenses	-	-	(13,171)	-
6450	Expected credit loss (Note 6(d))	(1,893)	-	-	-
	Total operating expenses	(656,472)	(47)	(576,316)	(48)
6500	**Net other income and expenses (Note 6(w))**	2,508	-	1,917	-
	Net operating loss	(122,639)	(9)	(102,334)	(9)
	Non-operating income and expenses:				
7010	Other income (Notes 6(x) and 7)	101,967	7	79,461	7
7020	Other gains and losses (Note 6(x))	30,250	2	(25,785)	(2)
7050	Finance costs (Note 6(x))	(47,175)	(3)	(41,935)	(4)
7070	Share of profit of associates and joint ventures accounted for using equity method (Note 6(g))	1,575,954	114	811,432	68
	Total non-operating income and expenses	1,660,996	120	823,173	69
7900	**Profit from continuing operations before tax**	1,538,357	111	720,839	60
7950	**Less: Tax expense (Note 6(q))**	(63,755)	(4)	(14,787)	(1)
8000	**Profit from continuing operations**	1,474,602	107	706,052	59
8100	**Profit (loss) from discontinued operations (Note 12 (d))**	360,970	26	(96,626)	(8)
	Profit	1,835,572	133	609,426	51
8300	**Other comprehensive income:**				
8310	**Items that may not be classified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(p))	(1,415)	-	5,487	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 6(r))	16,309	1	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(15,995)	(1)	(2,633)	-
	Total items that may not be classified subsequently to profit or loss	(1,101)	-	2,854	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation (Note 6(r))	(255,991)	(19)	110,582	9
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (Note 6(r))	-	-	(3)	-
	Total items that may be reclassified subsequently to profit or loss	(255,991)	(19)	110,579	9
8300	**Other comprehensive income (after tax)**	(257,092)	(19)	113,433	9
8500	**Comprehensive income**	**$ 1,578,480**	**114**	**722,859**	**60**
	Earnings per share (Note 6(s))				
	Basic earnings per share				
9710	From continuing operations	$	3.82		1.83
9720	From discontinued operations		0.94		(0.25)
		$	**4.76**		**1.58**
	Diluted earnings per share				
9810	From continuing operations	$	3.81		1.83
9820	From discontinued operations		0.94		(0.25)
		$	**4.75**		**1.58**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity				
								Unrealized Gains			
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Total Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	(Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Other Equity Interest	Total Equity
Balance on January 1, 2017	$ 3,852,521	1,554,932	1,411,550	49,081	4,853,212	6,313,843	270,483	-	190	270,673	11,991,969
Profit for the year ended December 31, 2017	-	-	-	-	609,426	609,426	-	-	-	-	609,426
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	2,854	2,854	110,582	-	(3)	110,579	113,433
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	612,280	612,280	110,582	-	(3)	110,579	722,859
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	100,097	-	(100,097)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(654,928)	(654,928)	-	-	-	-	(654,928)
Other changes in capital surplus:											
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	(25,494)	-	-	(385,619)	(385,619)	-	-	-	-	(411,113)
Changes in the change of functional currency of subsidiaries for using equity method	-	(2,747)	-	-	-	-	-	-	-	-	(2,747)
Changes in the change of functional currency of subsidiaries accounted for using equity method	-	(3,730)	-	-	(7,487)	(7,487)	11,217	-	-	11,217	-
Balance on December 31, 2017	3,852,521	1,522,961	1,511,647	49,081	4,317,361	5,878,089	392,282	-	187	392,469	11,646,040
Effects of retrospective application	-	-	-	-	77,177	77,177	-	53,470	(187)	53,283	130,460
Balance on January 1, 2018 after adjustments	3,852,521	1,522,961	1,511,647	49,081	4,394,538	5,955,266	392,282	53,470	-	445,752	11,776,500
Profit for the year ended December 31, 2018	-	-	-	-	1,835,572	1,835,572	-	-	-	-	1,835,572
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(17,410)	(17,410)	(255,991)	16,309	-	(239,682)	(257,092)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,818,162	1,818,162	(255,991)	16,309	-	(239,682)	1,578,480
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	60,943	-	(60,943)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(577,878)	(577,878)	-	-	-	-	(577,878)
Other changes in capital surplus:											
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	426	-	-	(35,910)	(35,910)	-	-	-	-	(35,484)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,279	-	-	-	-	-	-	-	-	2,279
Balance on December 31, 2018	**$ 3,852,521**	**1,525,666**	**1,572,590**	**49,081**	**5,537,969**	**7,159,640**	**136,291**	**69,779**	**-**	**206,070**	**12,743,897**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Profit from continuing operations before tax	$	1,538,357	720,839
Profit (loss) from discontinued operations before tax		372,045	(96,626)
Profit before tax		1,910,402	624,213
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		72,871	69,607
Amortization expense		3,977	3,374
Net gain on financial assets or liabilities at fair value through profit or loss		-	(5,002)
Interest expense		47,175	41,935
Expected credit loss		1,893	-
Interest income		(35,689)	(22,760)
Dividend income		(38,939)	(29,134)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(1,575,954)	(811,432)
Loss (gain) on disposal of property, plan and equipment		1,243	(266)
Property, plan and equipment transferred to expenses		196	-
(Gain) loss on disposal of discontinued operations and non-current assets held for sale		(375,757)	2,934
Total adjustments to reconcile profit		(1,898,984)	(750,744)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Current financial assets at fair value through profit or loss		-	39,246
Notes and accounts receivable		99,098	(15,811)
Accounts receivable due from related parties		(2,626)	2,353
Other current financial assets		(8,343)	(4,636)
Inventories		(21,191)	66,246
Prepayments		1,040	(5,509)
Other current assets		(6,236)	(1,748)
Total changes in operating assets		61,742	80,141
Changes in operating liabilities:			
Notes and accounts payable (including related parties)		(68,311)	23,503
Other payables		54,534	(20,726)
Contract liabilities /Advance receipts		(9,978)	(100,930)
Other current liabilities		9,017	(1,895)
Net defined benefit liability		(9,900)	(5,725)
Total changes in operating liabilities		(24,638)	(105,773)
Total changes in operating assets and liabilities		37,104	(25,632)
Total adjustments		(1,861,880)	(776,376)
Cash inflow (outflow) generated from operations		48,522	(152,163)
Interest received		20,556	9,075
Dividends received		376,589	561,304
Interest paid		(46,719)	(41,628)
Income taxes paid		(46,920)	(85,600)
Net cash flows generated from operating activities		352,028	290,988
Cash flows from investing activities:			
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		1,947	-
Acquisition of investments accounted for using equity method		-	(80,000)
Proceeds from capital reduction of investments accounted for using equity method		2,970	927
Proceeds from disposal of non-current assets held for sale		616,480	17,528
Acquisition of property, plant and equipment		(91,113)	(99,097)
Proceeds from disposal of property, plant and equipment		798	338
Acquisition of intangible assets		(5,563)	(2,467)
Decrease (increase) in other financial assets		524	(82,219)
Increase in other non-current assets		(164,199)	(262,257)
Net cash flows generated from (used in) investing activities		361,844	(507,247)
Cash flows from financing activities:			
Increase in short-term borrowings		1,800,000	1,326,024
Decrease in short-term borrowings		(1,751,024)	(1,125,000)
Increase (decrease) in short-term notes and bills payable		199,754	(56)
Proceeds from long-term borrowings		4,119,976	2,675,031
Repayments of long-term borrowings		(4,401,000)	(1,410,000)
Increase in other non-current liabilities		100	125
Cash dividends paid		(577,878)	(654,928)
Net cash flows (used in) generated from financing activities		(610,072)	811,196
Net increase in cash and cash equivalents		103,800	594,937
Cash and cash equivalents at beginning of year		1,091,612	496,675
Cash and cash equivalents at end of year	$	**1,195,412**	**1,091,612**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

CHINA METAL PRODUCTS CO., LTD. (the "Company") was established on September 9, 1972, via Ministry of Economic Affairs' authorization. The registered office is located at 4F, No. 85, Section 4, Ren'ai Road, Da'an District, Taipei. The major business activities of the Company are iron hardware casting and manufacturing steel bar selling, industrial buildings and factories developing, leasing and selling, acquisition of the financial claims of financial institutions, and department store retailing.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issuance by the Board of Directors on March 28, 2019.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective Date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to International Accounting Standards ("IAS") 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it needs not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Commission from counters

For commissions earned by the Company, the Company has determined that it acts in the capacity of an agent for certain transactions. Under IFRS 15, the assessment will be based on whether the Company controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

	December 31, 2018			January 1, 2018		
Impacted Line Items on the Balance Sheet	**Balances Prior to the Adoption of IFRS 15**	**Impact of Changes in Accounting Policies**	**Balance upon Adoption of IFRS 15**	**Balances Prior to the Adoption of IFRS 15**	**Impact of Changes in Accounting Policies**	**Balance upon Adoption of IFRS 15**
Current contract liabilities	$ -	4,530	4,530	-	14,821	14,821
Advance receipts	6,230	(4,530)	1,700	16,208	(14,821)	1,387
Impact on liabilities		-			-	
Retained earnings	$ (7,159,640)	-	(7,159,640)	(5,878,089)	-	(5,878,089)
Impact on equity		-			-	

	For the Year Ended December 31, 2018		
Impacted Line Items on the Income Statement	**Balances Prior to the Adoption of IFRS 15**	**Impact of Changes in Accounting Polices**	**Balance Upon Adoption of IFRS 15**
Impact on Profit		$ -	
Basic earnings per share	$ **4.76**	**-**	**4.76**
Diluted earnings per share	$ **4.75**	**-**	**4.75**

	For the Year Ended December 31, 2018		
Impacted line Items on the Income Statement	**Balances Prior to the Adoption of IFRS 15**	**Impact of Changes in Accounting Polices**	**Balance Upon Adoption of IFRS 15**
Cash flows from operating activities:			
Profit before tax	$ 1,910,402	-	1,910,402
Adjustments:			
Contract liabilities	-	4,530	4,530
Advance receipts	(9,978)	(4,530)	(14,508)
Impact on cash inflows generated from operations		-	
Impact on net cash flows from operating activities		-	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The significant changes in accounting policies due to the application of IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to Note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please refer to Note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

• Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

• The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

—The determination of the business model within which a financial asset is held.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

－The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

－The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. There is no change in both categories and carrying value of financial liabilities.

	IAS39		IFRS9	
Financial Assets	**Measurement Categories**	**Carrying Amount**	**Measurement Categories**	**Carrying Amount**
Cash and equivalents	Loans and receivables	1,901,612	Amortized cost	1,901,612
	Carried at cost (Note 1)	138,428	FVOCI	193,456
Accounts receivable, net	Loans and receivables (Note 2)	419,261	Amortized cost	419,261
Other financial assets (Guarantee deposits paid)	Loans and receivables	103,556	Amortized cost	103,556

Note1: These equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $55,028 thousand in those assets recognized, as well as the increase of $53,470 thousand and $0 in other equity and retained earnings were respectively recognized on January 1, 2018.

Note2: Notes receivable, accounts receivable, lease receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. Upon transition to IFRS 9 on January 1, 2018. There is no effect retained earnings as at January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained Earnings	2018.1.1 Other Equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 138,428	(138,428)	55,028		-	53,470
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	138,428	-		-	-
Total	$ 138,428	-	55,028	193,456	-	53,470

(Continued)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On the transition of IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to be exempted from the reassessment of whether a contract is or contains a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(Continued)

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, buildings, real estates, facilities and company cars. The Company estimated that the right-of-use assets, other non-current assets, other payables and the lease liabilities to increase by $2,316,517 thousand, decrease by $113,250 thousand, decrease by $57,670 thousand and increase by $2,318,176 thousand respectively, as well as the retained earnings to decrease by $57,239 thousand on January 1, 2019. No significant impact is expected for the Group’s finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profits (tax losses), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profits (tax losses), tax bases, unused tax losses, unused tax credits, and tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated that there was not impact on deferred tax liabilities and retained earnings as of January 1, 2019.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assessed that the above IFRSs may not be relevant to the Company.

(4) Summary of significant accounting policies

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise specified in Note 3.

(a) Statement of compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The individual financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

1) Fair value-through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

2) The defined benefit liabilities are recognized as the present value of the defined obligation less the fair value of the plan assets and the effect of the plan assets ceiling disclosure in Note 4(t).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The Company's financial statements are presented in New Taiwan dollar, which is the Company' s functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- Fair value through other comprehensive income (Available-for-sale equity) instrument.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the New Taiwan dollar at average rate. Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation differences in equity.

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When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely to occur in the foreseeable future, foreign currency gains and losses arising from such monetary items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under following criteria, and all other assets are classified as non-current. The entity shall classify an asset as current when:

(i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) It is expected to be realized within twelve months after the reporting period； or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under following criteria, and all other liabilities are classified as non-current. The entity shall classify a liability as current when:

(i) It is expected to be settled within the Company's normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) The liability is due to be settled within twelve months after the reporting period；or

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits meet aforementioned definitions that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash and cash equivalents.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Foreign exchange gains and losses, interest income and impairment losses calculated using the effective interest method, and dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI and accumulated in unrealized gains (losses) from financial assets measured at FVOCI under equity. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

The time deposits held by the Company was determined as low credit risk since the trading and performing parties are the financial institutions above the investment grade.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories by holding purpose: financial assets measured at cost, and loans and receivables.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Which comprise accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. The financial assets shall be recognized and derecognized, as applicable, using trade-date accounting when purchasing and selling them in the ordinary course of business.

Interest income is recognized into other income under non-operating income and expenses.

2) Impairment of financial assets

Except for financial assets at fair value through profit or loss financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in administrative expenses; impairment losses and recoveries of other financial assets are recognized in other gains or losses under non-operating income and expense.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

(Continued)

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

Debt or equity instruments issued by the Company are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued is recognized as the amount of consideration received less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expense. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise long-term and short-term borrowings, notes payables, accounts payables and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under non-operating income and expense.

3) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

5) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to pay on due date in accordance with the original or modified terms of a debt instrument.

At initial recognition, a financial guarantee contracts not designated as financial liabilities at fair value through profit or loss by the Company is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the amount of contractual obligation determined in accordance with IAS 37 "Provisions, Contingent liabilities and Contingent Assets"; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The weighted-average costing method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to finished goods and work in progress.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(h) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or held for distribution to owners. Being classified as held for sale, the assets should be available for immediate sale and highly probable within 12 months. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Company' s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then to remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale or held for distribution to owners are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(ii) Discontinued operations

An operation will be classified as a discontinued operation upon disposal or when the operation meets the criteria to be classified as held for sale or held for distribution to owners, whichever comes first.

(Continued)

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or join control over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated only under the circumstances of no impairment evidence.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(j) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(k) Joint Arrangements

Joint arrangement is the arrangement of two or multiple parties with joint controls over a delegated entity. Joint arrangement includes joint operation and joint venture. Its traits are as follows:

(i) The participants are bound by a contractual arrangement; and

(ii) The contractual arrangement gives two or more of the parties joint control of the arrangement.

IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities that significantly affect the return of the arrangement) require the unanimous consent of the parties sharing control.

A joint venturer is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognizes its interest in a joint venture as an investment, and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Company shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. The Company had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in “jointly controlled entities” to “joint ventures”. Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect on the recognized assets, liabilities, and other comprehensive income.

(l) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequent measurement with any change therein recognized in profit or loss. After the initial recognition, the calculation of depreciation expense is based on depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any borrowing cost that eligible for capitalization.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, under other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows：

1)	Buildings	3~60years
2)	Machinery	3~20years
3)	Transportation equipment	5~8years
4)	Office and other equipment	2~25years

Depreciation methods, useful lives, and residual values are reviewed at least at each reporting date. If expectation of useful life differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(iv) Reclassification to investment property

When changing the usage purpose of self-use properties, the self-use properties shall be reclassified to investment properties.

(n) Leased assets

(i) Lessor

Leased asset under finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are accounted for operating leases and the lease assets are not recognized in the Company's consolidated balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

Recognition of income arising from a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sales price is below fair value, any profit or loss shall be recognized immediately except that if the loss is compensated for by future lease payments at below-market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and the fair value shall be recognized immediately.

(Continued)

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease, which involves the following two criteria：

1) The fulfillment of the arrangement is dependent on the use of a specific asset or assets； and

2) The arrangement contains a right to use the asset.

At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease.

The Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate. If the Company concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

(o) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives for 3~10 years of intangible assets from the date when they are made available for use.

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. Any change thereof is accounted for as a change in accounting estimate.

(Continued)

(p) Impairment of non-derivative financial assets

The carrying amounts of the Company’ s non-financial assets, other than assets arising from inventories, deferred tax assets, assets arising from employee benefits and held for sale non-current assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset’s cash-generating unit (CGU).

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss which is only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(r) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

The Company grants its main customers the right to return the product within certain period. Therefore, the Company reduces its revenue by the amount of expected returns and discounts, and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns and discounts at the time of sale. Also, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns and discounts.

2) Customer loyalty program

The Company operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Company considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Company has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. For those contracts which are over one year, the effects of the transaction prices for the time value of money are not significant after the assessment.

(ii) Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The amount of sales returns and allowance is reasonably estimated based on customer's complain, previous experience and other relevant factors and recognized in the year of sale.

2) Commission from counter sale

The revenue from counter sale is recognized under net method when the Company has determined that it acts in the capacity of an agent.

3) Service

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

4) Dividend income

Dividend income arising from the investments is recognized on the ex-dividend date.

5) Interest income

Interest income is calculated and recognized under the effective interest method.

6) Rental revenue

Rental revenue arising from the investment properties is recognized during the rental term under the straight-line method.

(s) Contract costs (policy applicable from January 1, 2018)

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 "Inventories", IAS 16 " Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

(ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(Continued)

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(t) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

The short-term employee benefits is measured at non-discounted basis, and be recognized as expenses when the service is rendered.

Short-term employee benefit obligation is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(u) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. The losses, credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(v) Business combination

Goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, the Company shall reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Company shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognized in profit or loss. For the changes in investee's equity recognized in OCI before the acquisition should be considered as being disposed by the Company and reacquired, and the OCI recognized before the acquisition should be reclassified into gains or losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

The acquirer shall recognize the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. The cost of the acquisition and measuring goodwill should retrospectively be adjusted when some changes in the fair value of contingent consideration that the acquirer recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period shall not exceed one year from the acquisition date. The acquirer shall account for the changes in the fair value of contingent consideration that are not measurement period adjustments. The Company's accounting treatment should be based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Others shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss.

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(w) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(x) Operating segments

The related information of the operating segments is disclosed in the consolidated financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(a) Judgment regarding acting as a principal or as an agent on commission

In respect of commissions, the Company concludes that the following indicators provide further evidence that it does not control the specified goods before they are transferred to the customer, and therefore it acts as an agent.

– The Company does not obtained the ownership of the goods and not obligated to the sale of the goods.

– The revenue is received by the Company, but the credit risk of the goods is undertaken by the supplier.

– The Company cannot vary the selling prices set by the supplier.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The information of impairment loss, please refer to Note 6(d).

(b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(e) for further description of the valuation of inventories.

(c) Impairment of goodwill

The assessment of impairment of goodwill is based on the estimated growth rate, gross profit margin and the income under cash basis, which requires the Company' s management to determine the valuation method, major assumption and to calculate the equity value. In addition, impairment of goodwill depends on the Company to make subjective judgments which involved highly estimation uncertainty. Please refer to the consolidated financial statement for the years ended December 31, 2018 and 2017 for the impairment of goodwill.

(d) Recognition and measurement of provisions and contingent liabilities

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company's resources and the amount can be reasonably estimated. Since the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability. Please refer to the consolidated financial statement for the years ended December 31, 2018 and 2017 for further description of provisions and contingent liabilities.

(e) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to Note 6(p) for further description of the actuarial assumptions and sensitivity analysis.

The Company' s accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. If there is market observable inputs, it will be considered as fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

(Continued)

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to notes listed as below for assumptions used in measuring fair value.

(i) Note 6(y), Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,400	1,470
Cash in banks	229,404	244,958
Time deposits	964,608	845,184
Cash and cash equivalents	**$ 1,195,412**	**1,091,612**

For the sensitivity analysis of financial assets, please refer to Note 6(y).

(b) Financial assets

	December 31, 2017
Non-current financial assets measured at cost	
Stocks unlisted on domestic markets	**$ 138,428**

(i) The Company holds financial assets measured at cost which is measured at amortized cost less impairment at each reporting date. Considering that the range of reasonable fair value estimates is highly uncertain and the probability for each estimate cannot be reasonably determined, the Company management believes the fair value cannot be measured reliably.

(ii) The Company disclosed the relative risk of financial instruments in Note 6(y).

(iii) As of December 31, 2017, the financial assets were not pledge as collateral.

(c) Non-current financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.	$ 128,063
Stocks unlisted on domestic markets—YUHUA Venture Capital Co., Ltd.	1,473
Stocks unlisted on domestic markets—FUHUA Venture Capital Co., Ltd.	2,868
Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.	40,308
Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd.	35,106
Total	**$ 207,818**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(i) The Company intends to hold the equity investments for long-term strategic purposes, rather than transaction purposes. Therefore, the investments are measured at FVOCI. The equity investments were classified as financial assets measured at cost as of December 31, 2017.

(ii) The Company did not dispose the strategic investments during the year of 2018. Therefore, the accumulated income and loss was not transferred in equity.

(iii) Please refer to Note 6(y) for the information of credit risk (including the impairment of debt instrument investments) and market risk.

(iv) As of December 31, 2018, the financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 38,736	55,401
Accounts receivable-measured as amortized cost	252,979	338,711
Subtotal	291,715	394,112
Less: Loss allowance	(4,022)	(2,152)
Less: Sales return and allowance	-	(4,178)
	287,693	387,782
Lease receivable	-	882
Less: Unearned financing income	-	(4)
	-	878
Total	$ **287,693**	**388,660**

The Company applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward-looking information, including the information of macroeconomic and the relevant industry. The loss allowance provision in Taiwan business as of December 31, 2018 is determined as follows:

	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	$ 263,927	0%	-
1 to 30 days past due	5,903	0%	-
31 to 90 days past due	15,212	0%	-
91 to 120 days past due	1,101	0%	-
121 days to a year past due	3,305	0%	1,755
Over a year past due	2,267	100%	2,267
	$ **291,715**		**4,022**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance provision of notes and accounts receivable. As of December 31, 2017, the aging analysis of notes and accounts receivable which were past due but not impaired is as follows:

		December 31, 2017
0 to 30 days past due	$	22,260
31 to 90 days past due		9,115
Over 90 days past due		6,329
	$	**37,704**

The movements in the allowance for notes and accounts receivable is as follows:

	For the Years Ended December 31		
		2018	**2017**
Balance on January 1 under IAS 39	$	2,152	2,152
Adjustment on initial application of IFRS 9		-	
Balance on January 1 under IFRS 9		2,152	
Impairment losses recognized		1,870	-
Balance on December 31	**$**	**4,022**	**2,152**

The financial assets mentioned above were not pledged as collateral.

(e) Inventories

		December 31, 2018	December 31, 2017
Raw materials	$	6,782	6,693
Materials		5,765	12,455
Work in process		34,131	6,612
Semi-finished goods		25,901	33,523
Finished goods		28,763	25,914
Merchandise		7,936	2,890
	$	**109,278**	**88,087**

For the years ended December 31, 2018 and 2017, the cost of goods sold and expenses were amounted to $852,237 thousand and $723,797 thousand, respectively. For the years ended December 31, 2018 and 2017, the reversal gain from the sale of the beginning inventories were amounted to $7,671 thousand and $2,139 thousand, respectively.

The inventories were not pledged as collateral, as of December 31, 2018 and 2017.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(f) Non-current assets held for sale

For the efficient usage and operation of assets, the Company resolved to sale the land, factory, and equipment of the steel product segment in the 4th quarter of 2017. As of December 31, 2018 and 2017, non-current assets held for sale amounted to $0 and $233,460 thousand respectively. The details of non-current assets held for sale are is follows:

	December 31, 2018	December 31, 2017
Land	$ -	185,627
Buildings and structures	-	47,833
Non-current assets held for sale	**$ -**	**233,460**

In the 1st quarter of 2018, the Company sold all of the land and factory and most of the equipment in the steel product segment. The disposal gain $375,757 thousand arose from measuring at the selling price less costs to sell and the book value shall be presented in the line item of profit from discontinued operations in the statement of comprehensive income. For the information of disposal gain or loss, please refer to Note12(d).

(g) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 13,672,450	12,642,876
Associates	(21,760)	(21,760)
Joint ventures	400,117	363,383
	$ 14,050,807	**12,984,499**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2018.

Sunflower Investment Co., Ltd., the subsidiary of the Company, had sought administrative remedies for the administrative penalties arose from enterprise income tax, value-added tax, and undistributed earning tax of the Daguangsan non-performing receivable case, the total amount of tax and penalties amounted to $564,452 thousand. As of the reporting date, the Company has paid $46,174 thousand and estimated the regarding litigation provision at $236,052 thousand. The administrative litigation was filed against Taipei High Administrative Court on December 24, 2013. In accordance with the Administrative Regulation Section 1 and 2, Taipei High Administrative Court suspended the proceeding of the lawsuit on July 25, 2016. Considering the risk of losing the lawsuit in the future, the Company assessed the aforementioned possible losses based on the conservative principle and estimated the contingent liabilities.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(ii) Associates

The Company's financial information for investments accounted for using the equity method that were individually insignificant is as follows:

	December 31, 2018	December 31, 2017
Carry amount of individually insignificant associates' equity	$ (21,760)	(21,760)

	For the Years Ended December 31	
	2018	2017
Attributable to the Company:		
Net loss from continuing operations	$ -	-
Other comprehensive income	-	-
Total	$ -	-

Due to the fact that the Company does not have the obligation of assuming the excess losses, it ceased the recognition of the losses from the investment of Amida Trustlink Assets Management Co., Ltd. For the years ended December 31, 2018 and 2017, the unrealized investment losses were amounted to $221 thousand and $228 thousand, respectively; and the accumulated unrealized investment losses amounted to $34,189 thousand.

(iii) Joint ventures

The Company's financial information for joint ventures accounted for using the equity method that are individually insignificant is as follows:

	December 31, 2018	December 31, 2017
Carry amount of individually insignificant joint ventures' equity	$ 400,117	363,383

	For the Years Ended December 31	
	2018	2017
Attributable to the Company:		
Net loss from continuing operations	$ (23,998)	(33,724)
Other comprehensive income	-	-
Comprehensive income	$ (23,998)	(33,724)

(iv) Pledge to secure

For the information of the investments accounted for using equity, as of December 31, 2018 and 2017, please refer to Note 8.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(h) Changes in a parent's ownership interest in a subsidiary

(i) Acquisition of subsidiary

During the year of 2017, the Company invested CMI in cash by the amount of $2,665,380 thousand through the subsidiary of UEA, which increased the equity investment from 59.87% to 82.55%.

During the year of 2018 and 2017, the Company invested PUJEN Land Development in cash by the amount of $17,444 thousand and $24,934 thousand, respectively, through the subsidiary of Sunflower Investment, which increased the equity investment from 71.47% to 71.72% and from 71.09% to 71.47%, respectively.

During the year of 2018, the Company invested Atrans Precision in cash by the amount of $76,878 thousand through the subsidiary of Sunflower Investment, which increased the equity investment from 70.47% to 83.58%.

During the year of 2017, the Company invested Acore Material in cash by the amount of $8,000 thousand though the subsidiary to Atrans Precission, which increased the equity investment from 35.94% to 38.75%. However, the Company didn't participate in cash the capital increase of Acore Material in the year of 2018, which reduced the shareholding ratio to 21.23%.

The information of the influence of subsidiaries' equities variation to the Company's equity are as follows:

	For the Years Ended December 31					
	2018			2017		
		CMI	PUJEN Land Development	PUJEN Land Development	CMI	Acore Material
Book value of acquisition of non-controlling interests/subsidiaries' capital increase in cash	$	17,833	76,915	26,229	2,254,806	6,166
Cash paid to non-controlling interests/for subsidiaries capital increase in cash		(17,444)	(76,878)	(24,934)	(2,665,380)	(8,000)
Capital surplus	**$**	**389**	**37**	**1,295**	**(410,574)**	**(1,834)**

The capital surplus resulting form changes in ownership is not sufficient as of December 31, 2017, the remaining difference amounted to $385,619 thousand was a debited to retained earnings.

(ii) Loss control of subsidiaries

The Company lost the actual control of Acore Material, but still have significant influence, due to the re-election of the members of the Board of Directors on April 30, 2018 . The Company derecognized the consolidation of the subsidiary on the day of losing control and measured the residual investment at fair value.

CHINA METAL PRODUCTS CO., LTD.

Notes to the Financial Statements

(i) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 are as follows:

	Land	Buildings	Machinery	Office Equipment	Transportation Equipment	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
Cost:								
Balance on January 1, 2018	$ 113,667	256,168	775,328	41,479	10,663	74,711	23,012	1,295,028
Additions	-	5,048	6,959	3,578	-	26,535	48,993	91,113
Disposals	-	(1,362)	(13,866)	(22,029)	(1,000)	(8,882)	-	(47,139)
Reclassification	-	3,949	(1,456)	(539)	(940)	(320)	(33,025)	(32,331)
Balance at December 31, 2018	$ 113,667	263,803	766,965	22,489	8,723	92,044	38,980	1,306,671
Balance at January 1, 2017	$ 299,294	310,699	671,645	40,266	11,948	44,254	70,361	1,448,467
Additions	-	1,778	2,573	2,833	-	11,511	80,402	99,097
Disposals	-	-	(1,433)	(1,719)	(1,285)	-	-	(4,437)
Reclassification	(185,627)	(56,309)	102,543	99	-	18,946	(127,751)	(248,099)
Balance on December 31, 2017	$ 113,667	256,168	775,328	41,479	10,663	74,711	23,012	1,295,028
Accumulated depreciation:								
Balance on January 1, 2018	$ -	82,834	334,144	32,451	8,198	31,724	-	489,351
Depreciation	-	9,777	46,053	3,612	1,212	12,217	-	72,871
Disposals	-	(1,296)	(11,891)	(22,029)	(1,000)	(8,882)	-	(45,098)
Reclassification	-	-	(23,436)	(447)	(877)	(210)	-	(24,970)
Balance on December 31, 2018	$ -	91,315	344,870	13,587	7,533	34,849	-	492,154
Balance on January 1, 2017	$ -	81,759	292,960	30,789	8,095	23,718	-	437,321
Depreciation	-	14,287	42,609	3,317	1,388	8,006	-	69,607
Disposals	-	-	(1,425)	(1,655)	(1,285)	-	-	(4,365)
Reclassification	-	(13,212)	-	-	-	-	-	(13,212)
Balance on December 31, 2017	$ -	82,834	334,144	32,451	8,198	31,724	-	489,351
Carrying value:								
Balance on December 31, 2018	$ 113,667	172,488	422,095	8,902	1,190	57,195	38,980	814,517
Balance on December 31, 2017	$ 113,667	173,334	441,184	9,028	2,465	42,987	23,012	805,677

(i) As of December 31, 2018 and 2017, please refer to Note 8 for the details of plant, property and equipment pledged as collateral for the Company's long-term loan and financing guarantee.

(ii) The land held by the Company is located at Xihfeng Towship Kengzikou. According to the laws and regulations, companies cannot be registered as landowner, due to the usage of the land is registered for farming. Therefore, the ownership of the land was passed to individuals and was registered as private personal property. For obtaining the right of land, the group held the land certificate and entered into an agreement with the registered owner, which specified that the Company retain all rights and obligations of the land and pledged the land as collateral for the Company. The information of the land mentioned above, which is presented in the line item of other non-current assets is as follows:

	December 31, 2018	December 31, 2017
Land	$ 22	22

(Continued)

(iii) For the efficient usage and operation of assets, the Company resolved to sell the land and equipment of the steel product department in Pengzhen, Taoyuan, in the 4th quarter of 2017. Please refer to Note 6(f), for the information of the asset measured at lower of carrying amount and fair value less cost to sell reclassified to non-current assets held for sale, and its accumulated depreciation amounted to $246,671 thousand and $13,211, respectively.

(j) Investment property

	Land
Cost or deemed cost:	
Balance on January 1, 2018	$ 146,878
Balance on December 31, 2018	$ 146,878
Balance on January 1, 2017	$ 146,878
Balance on December 31, 2017	$ 146,878
Carrying amounts:	
Balance on December 31, 2018	$ 146,878
Balance at December 31, 2017	$ 146,878
Fair value:	
Balance on December 31, 2018	$ 136,580
Balance on December 31, 2017	$ 136,580

The fair value of investment properties is based on recent transaction price of similar location and areas on the website of Department of Land Administration M.O.I. and the website of real estate trading. Under the valuation techniques for financial instruments measured at fair value, the inputs are categorized at level 3.

As of December 31, 2018 and 2017, the investment properties were not pledged as collateral.

(k) Other non-current financial assets

	December 31, 2018	December 31, 2017
Refundable deposit	$ 103,031	103,555
Debt obligation receivable-The Splendor Hospitality International Co., Ltd.	575,000	575,000
Debt obligation receivable-Chin Ling Steel Co., Ltd.－non-guarantee	23,250	23,250
Less: Accumulated impairment-Debt obligation receivable-Chin Ling Steel Co., Ltd.	(23,250)	(23,250)
	$ 678,031	678,555

(i) In June, 2006, the Company and Prince Housing and Development Co., Ltd. (Prince Housing and Development) entered into assignment of debt agreement with Amida Trustlink Assets which the Company and Prince Housing and Development each owned half of the obligation. The Company and Prince Housing and Development each injected 50% and obtained the major mortgages, collaterals and the appurtenant rights of Taichung Port Splendor Hospitality International Co., Ltd (Taichung Port Splendor). The Group and Prince Housing and Development agreed to pay Amida Trustlink Assets the residual debt in the agreement, the related costs and returns when the real right of the underlying is completed. The Company and Prince Housing and Development each injected 50% and cofounded The Splendor Hospitality International Co., Ltd.. In November 2006, The Splendor Hospitality International and Taichung Port Splendor entered into specific asset transfer agreement and obtained the specific assets of Taichung Port Splendor by assuming its debts. The Company's right of receivables transferred from Taichung Port Splendor to The Splendor Hospitality International. In December 2006, the Company and Prince Housing and Development signed supplementary agreement with Amida Trustlink Assets which increased the selling price of all debt obligations and canceled the payment of the related cost and return. The verdinglichung obligatorischer rechte was assumed by the Company and Prince Housing and Development equally. The details of total debt obligation receivable and obligation cost after deducted the received amount in 2007 are as follows:

	December 31, 2018			
Underlying	**Obligation Cost**	**Obligation Principal**	**Valuation Assessment**	**Collateral**
The Splendor Hospitality International	$ 575,000	796,845	According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is $7,153,000 thousand. After deducting the 1st security, which was amounted to $3,960,000 thousand, the residual mortgage attributed to the Group was amounted to $1,596,500 thousand.	The building of The Splendor Hospitality International (the 2nd security)

	December 31, 2017			
Underlying	**Obligation Cost**	**Obligation Principal**	**Valuation Assessment**	**Collateral**
The Splendor Hospitality International	$ 575,000	796,845	According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is $7,908,091 thousand. After deducting the 1st security, which was amounted to $3,960,000 thousand, the residual mortgage attributed to the Group was amounted to $1,974,046 thousand.	The building of The Splendor Hospitality International (the 2nd security)

(ii) As of December 31, 2018 and 2017, the costs and principal of debt obligation from Chin Ling Steel were $23,250 thousand and $118,561 thousand, respectively.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(l) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 350,000	301,024
Notes and bills payable	299,672	99,918
Total	$ **649,672**	**400,942**
Unused credit limit	$ **665,760**	**966,273**
Range of interest rates	**0.91%~1.15%**	**0.91%~1.05%**

(i) Please refer to Note 8 for details of the related assets pledged as collateral.

(ii) For the information of the Company's credit limits approved by financial institution which was obtained by pledging assets from related parties, please refer to Note 7.

(m) Long-term borrowings

The details and terms of the long-term borrowings are as follows:

	December 31, 2018			
	Currency	**Range of Interest Rates**	**Term**	**Amount**
Unsecured bank loans	NTD	1.24%~1.28%	2020	$ 1,649,000
Secured bank loans	NTD	1.00%~1.3%	2020~2021	1,980,000
Less: Current portion				-
Unamortized long-term loans costs				(202)
Total				$ **3,628,798**
Unused credit limit				$ **851,000**

	December 31, 2017			
	Currency	**Range of Interest Rates**	**Term**	**Amount**
Unsecured bank loans	NTD	1.20%~1.30%	2019	$ 1,730,000
Secured bank loans	NTD	1.00%~1.85%	2018~2020	2,180,000
Less: Current portion				(40,000)
Unamortized long-term loans costs				(178)
Total				$ **3,869,822**
Unused credit limit				$ **460,000**

(i) Please refer to Note 8 for details of the related assets pledged as collateral.

(ii) For the information of the Company's credit limits approved by financial institution which was obtained by pledging assets from related parties, please refer to Note 7.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(n) Provisions

	Financial Guarantee Contracts
Balance on January 1, 2018	$ 10,359
Provision	60,732
Unwinding of discount	(15,133)
Balance on December 31, 2018	**$ 55,958**
Balance on January 1, 2017	$ 22,566
Provision	1,478
Unwinding of discount	(13,685)
Balance on December 31, 2017	**$ 10,359**

Financial guarantee contract is the endorsement guarantee of credit limit borrowing from the financial institutions which the Company assisted the joint venture to obtain. According to IFRS 39 "Financial Instruments: Recognition and Measurement", the financial guarantee contracts are measured at fair value.

(o) Operating leases

Lessee

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

	December 31, 2018	December 31, 2017
Less than one year	$ 228,013	214,702
One to five years	860,587	845,388
Over five years	1,817,220	1,996,663
	$ 2,905,820	**3,056,753**

The Company leased land and buildings under operating lease. The term of the lease usually is 2 to 40 years. When renew the lease, the rental payments will be adjusted to reflect the market.

For the years ended December 31, 2018 and 2017, the operating lease expenses amounted to $226,423 thousand and $224,353 thousand, respectively.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(p) Employee benefits

(i) Defined benefit plans

The reconciliation of fair value of defined benefit plans and plan assets are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 67,660	77,374
Fair value of plan assets	(63,468)	(64,697)
Asset ceiling	-	-
Net defined benefit liabilities	**$ 4,192**	**12,677**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Company's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to $63,468 thousand on the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	2017
Defined benefit obligations on January 1	$ 77,374	89,243
Current service costs and interest	2,112	2,145
Remeasurements of the net defined benefit liability		
—Return on plan assets (not including current interest cost)	1,393	1,382
—Actuarial gains from changes in demographic assumptions	1,664	1,276
Settlement of extinct liabilities	-	(419)
Benefits paid by the plan	(14,883)	(16,253)
Defined benefit obligation on December 31	**$ 67,660**	**77,374**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	2017
Fair value of plan assets on January 1	$ 64,697	65,354
Interest revenue	948	730
Remeasurements of the net defined benefit liability		
－Return on plan assets (not including current interest cost)	1,642	(1,052)
Loss from the settlement	-	(1,737)
Contributed amount	11,064	10,655
Benefits paid by the plan	(14,883)	(9,253)
Fair value of plan asset on December 31	**$ 63,468**	**64,697**

4) Changes in the effect of the asset ceilings: None.

5) Expenses recognized in profit and loss

The Company’ s pension expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	2017
Current service cost	$ 1,066	1,157
Net interest on net defined benefit liability	98	258
Gain from the settlement	-	1,318
	$ 1,164	**2,733**

6) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company’s net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

	For the Years Ended December 31	
	2018	2017
Cumulative amount on January 1	$ 27,973	33,460
Recognized during the year	1,415	(5,487)
Cumulative amount on December 31	**$ 29,388**	**27,973**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

7) Actuarial assumptions

The key actuarial assumptions at the reporting date are as follows:

	2018.12.31	2017.12.31
Discount rate	1.125 %	1.375 %
Future salary increase rate	3.000 %	3.000 %

Based on the actuarial report, the Company is expected to make a contribution payment of $10,987 thousand to the defined benefit plans for the one year period after the reporting date of 2018.

The weighted-average duration of the defined benefit plans is 13.04 years.

8) Sensitivity analysis

As of December 31, 2018 and 2017, the changes in the principal actuarial assumptions that will impact on the present value of defined benefit obligation are as follows:

	Impact on Present Value of Defined Benefit Obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2018		
Discount rate	$ (1,664)	1,718
Future salary increase rate	1,652	(1,602)
December 31, 2017		
Discount rate	(1,924)	2,016
Future salary increase rate	1,939	(1,864)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

(ii) Defined contribution plans

The Company contributes an amount at the rate of 6% of the employees' monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Company's contributions to the Bureau of Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017 amounted to $6,792 thousand and $6,752 thousand, respectively.

(iii) As of December 31, 2018 and 2017, the Company's employee benefits retirement expenses amounted to $387 thousand and $7,000 thousand, respectively.

(q) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon 2018.

(i) The income taxes expense for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	**2017**
Current income taxes expense		
Current period incurred	$ 33,248	28,229
10% surtax on undistributed earnings	-	22,906
Adjustment for prior periods	803	2,681
	34,051	53,816
Deferred tax expense (benefit)		
Gain on non-performing loan	(1,381)	-
Gains (losses) on foreign exchange	1,512	(1,468)
Gains (losses) from overseas investment	21,559	(26,439)
Gains (losses) from sales leaseback	8,014	(11,122)
	29,704	(39,029)
Income tax expense (not including tax expense arose from disposal of discontinued operation)	**$ 63,755**	**14,787**
Income tax expense from continuing operations	63,755	14,787
Income tax expense from discontinued operation	11,075	-
	$ 74,830	**14,787**

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	2017
Profit before income tax	$ 1,538,357	720,839
Income tax expense at domestic statutory tax rate	307,671	122,543
Investment loss accounted for using equity method	(247,343)	(90,969)
Domestic investment income under Article 42 of Income Tax Act	(7,788)	(4,953)
Gain on valuation of financial asset	-	(850)
Investment loss from the capital reduction of the investee	-	(19,004)
Change on unrecognized temporary differences	(4,369)	870
10% surtax on undistributed earnings	-	22,906
Prior overestimate income tax	803	2,681
Changes in tax rates	19,514	-
Land value increment tax	11,075	-
Others	(4,733)	(18,437)
Income tax expense	**$ 74,830**	**14,787**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	**$ 6,480**	**9,221**

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 are as follows:

Deferred tax assets:

	Gain on Non-performing Loan
Balance on January 1, 2018	$ 7,825
Debit (credit) on income statement	1,381
Balance on December 31, 2018	**$ 9,206**
Balance on January 1, 2017	**$ 7,825**
Balance on December 31, 2017	**$ 7,825**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Deferred tax liabilities:

	Land Value Increment	Foreign Exchange Gain (Losses)	Gain from Overseas Investment	Gain from Sale Leaseback	Total
Balance on January 1, 2018	$ 28,979	(1,151)	270,508	119,558	417,894
Debit (credit) on income statement	-	1,512	21,559	8,014	31,085
Balance on December 31, 2018	**$ 28,979**	**361**	**292,067**	**127,572**	**448,979**
Balance on January 1, 2017	$ 28,979	317	296,947	130,680	456,923
Debit (credit) on income statement	-	(1,468)	(26,439)	(11,122)	(39,029)
Balance on December 31, 2017	**$ 28,979**	**(1,151)**	**270,508**	**119,558**	**417,894**

3) The income tax returns of the Company had been assed and approved by the Tax Authority through 2015.

(r) Share capital and other interests

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized capital of the Company consisted of 4,000,000 thousand shares, with par value of $10 per share. The outstanding shares were amounted to $3,852,521 thousand and the capital that arose from the shares had all been retrieved.

(ii) Capital surplus

The components of the capital surplus are as follows:

	December 31, 2018	December 31, 2017
From issuance of share capital	$ 626,110	626,110
Employee stock option of subsidiaries	33,352	33,352
From conversion of convertible bonds	863,499	863,499
Difference between consideration and carrying amount of subsidiaries acquired or disposed	426	-
Changes in equity of associates and of joint ventures accounted for using equity method	2,279	-
	$ 1,525,666	**1,522,961**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(iii) Retained earnings

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The company is in the growth stage of business cycle. and the annual earnings and future cash flow is maintained stable. Considering the Company's significant investment plan for the future, the Company applied "Residual dividend policy" for long-term operating plan and funding needs. The dividend distribution of cash and stock is correlated with annual earning. The Company distributes stock dividends is not higher than 70% of the total dividend.

1) Legal reserve

In accordance with the Amended Companies Act in January 2012, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company incurred profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, of up to 25% of the actual share capital.

2) Special reserve

The Company applied the exemptions at the first-time adoption of IFRSs, and increased its retained earnings by $49,081 thousand, which resulted from unrealized revaluation increments, exchange differences on translation of foreign financial statements, and the fair value of investment property being used as the cost on initial recognitions at the transition date. In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reverse equals to the contra account of other shareholders' equity is appropriated from current and prior period earnings. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. As of December 31, 2018 and 2017, the Company recognized the special reserve related to all IFRSs adjustments amounted to $49,081 thousand.When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On June 21, 2018, and June 19, 2017, the Company's shareholders' meeting resolved to appropriate the 2017 and 2016 earnings. These earnings were appropriated or distributed as follows:

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

	For the Years Ended December 31			
	2017		2016	
	Allotment	Amount	Allotment	Amount
Common stock dividends per share				
Cash	$ 1.50	577,878	1.70	654,928

(iv) Other equity (net of tax)

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets Measured at FVTOCI	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total
Balance on January 1, 2018	$ 392,282	-	187	392,469
Effects of retrospective application	-	53,470	(187)	53,283
Balance on January 1, 2018, after adjustments	392,282	53,470	-	445,752
Exchange differences on foreign operations	(255,991)	-	-	(255,991)
Unrealized gain on financial assets measured at FVTOCI	-	16,309	-	16,309
Balance on December 31, 2018	$ 136,291	69,779	-	206,070
Balance on January 1, 2017	$ 270,483	-	190	270,673
Exchange differences on foreign operations	110,582	-	-	110,582
Unrealized gain (losses) on available-for-sale financial assets	-	-	(3)	(3)
Effect from variation of subsidiaries' functional currency	11,217	-	-	11,217
Balance on December 31, 2017	$ 392,282	-	187	392,469

(s) Earnings per share

The Company's earnings per share are calculated as follows:

	For the Years Ended December 31	
	2018	2017
Basic earnings per share		
Profit from continuing operation attributable to the Company	$ 1,474,602	706,052
Profit (loss) from discontinued operation attributable to the Company	360,970	(96,626)
Profit attributable to owners of the parent	**$ 1,835,572**	**609,426**
Weighted average number of ordinary shares	385,252	385,252
Basic earnings per share		
Profit from continuing operation	$ 3.82	1.83
Profit (loss) from discontinued operation	0.94	(0.25)
	$ 4.76	**1.58**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

	For the Years Ended December 31	
	2018	2017
Diluted earnings per share		
Profit from continuing operation attributable to the Company	$ 1,474,602	706,052
Profit (loss) from discontinuing operation attributable to the Company	360,970	(96,626)
Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares)	$ **1,835,572**	**609,426**
Weighted average number of ordinary shares	385,252	385,252
Effect of potential diluted ordinary shares		
Employee stock option	1,495	786
Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)	386,747	386,038
Diluted earnings per share		
Profit from continuing operation	$ 3.81	1.83
Profit (loss) from discontinued operation	0.94	(0.25)
	$ **4.75**	**1.58**

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the Years Ended December 31		
	2018		
	Metal Forming Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	$ 547,682	337,819	885,501
United States	92,832	-	92,832
Japan	98,098	-	98,098
China	51,609	-	51,609
Europe	112,506	-	112,506
South America	77	-	77
Others	142,939	-	142,939
	$ **1,045,743**	**337,819**	**1,383,562**
Major product/service lines:			
Iron casting hardware	$ 1,045,743	-	1,045,743
Counter commissions	-	261,460	261,460
Others	-	76,359	76,359
	$ **1,045,743**	**337,819**	**1,383,562**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

For the year ended December 31, 2018, the operating revenue from steel products of discontinued operation in Taiwan amounted to $23,496 thousand.

Please refer to Note 6(u) for the information of operating revenue for the year ended December 31, 2017.

(ii) Contract balances

		December 31, 2018	January 1, 2018
Notes and accounts receivable	$	291,715	389,934
Less: Loss allowance		(4,022)	(2,152)
Total	**$**	**287,693**	**387,782**
Contract assets	**$**	**-**	**-**
Contract liabilities –Advanced receipts	**$**	**4,530**	**14,145**

For details of accounts receivable and allowance for impairment, please refer to Note 6(d).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $9,615 thousand.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied by transferring ownership to the customer and the payment to be received.

(u) Revenue

The information of revenues are listed as follows:

	For the Year Ended December 31, 2017			
		Continued Operation	Discontinued Operation	Total
Sale of goods	$	903,887	1,165,043	2,068,930
Counter commissions		254,067	-	254,067
Rental revenue		37,908	-	37,908
	$	**1,195,862**	**1,165,043**	**2,360,905**

Please refer to Note 5, for the factors of management's judgement regarding acting as an agent, not a principal, in the counter commission transactions.

Please refer to Note 6(t), for the details of operating revenue for the year ended December 31, 2018.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(v) Employees' compensation and remuneration of directors

Based on the amended Company’s Articles of Incorporation, employees' compensation is appropriated at the rate of at least 2.5% and remuneration of directors is appropriated no more than 2.5% of profit before tax, respectively. Prior years’ accumulated deficit is first offset before any appropriation of profit, then calculate the employees' compensation and remuneration of directors by the appropriate ratio stipulated in the bylaws.

For the years ended December 31, 2018 and 2017, appropriated employees' compensation by $52,340 thousand and $17,102 thousand, respectively, and appropriated remuneration of directors by $50,327 thousand and $16,444 thousand, respectively, which were estimated on the basis of the Company’s net profit before tax, excluding employees' compensation and the remuneration of directors of each period, then multiplied by the percentage of remuneration of employees and directors as specified in the Company’s Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2018 and 2017. The number of shares to be distributed were calculated based on the closing price of the Company’s ordinary shares, one day prior to Board of Directors meeting. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss.

There were no significant difference between employees’ compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the years of 2017 and 2016.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(w) Net other income and expenses

	For the Years Ended December 31	
	2018	**2017**
Rental revenue	**$ 2,508**	**1,917**

(x) Non-operating income and expenses

(i) Other income

	For the Years Ended December 31	
	2018	**2017**
Interest income		
Interest income from bank deposits	$ 20,556	9,071
Interest income from financial assets measured at amortized cost	15,133	13,685
Dividend income	38,939	29,134
Others	27,339	27,571
	$ 101,967	**79,461**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(ii) Other gains and losses

	For the Years Ended December 31	
	2018	2017
(Losses) gains on disposals of property, plant and equipment	$ (1,243)	266
Losses on disposal of non-current asset held for sell	-	(2,934)
Foreign exchange gains (losses)	31,493	(28,119)
Gains on financial assets at FVTPL	-	5,002
	$ 30,250	**(25,785)**

(iii) Finance costs

	For the Years Ended December 31	
	2018	2017
Interest expense	$ 45,787	40,485
Amortization of issuance cost	1,388	1,450
	$ 47,175	**41,935**

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Since the Group had a large number of unrelated customers, the concentration of the credit risk is limited.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments, but not the impact of netting agreements.

	Contractual Cash Flow	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 Years
December 31, 2018					
Non-derivative financial liabilities					
Bank borrowings	$ 4,366,183	692,337	2,116,385	1,557,461	-
Notes and accounts payables (including related parties)	273,652	273,652	-	-	-
Other payables (including related parties)	161,914	161,914	-	-	-
	$ 4,801,749	**1,127,903**	**2,116,385**	**1,557,461**	**-**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

		Contractual Cash Flow	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 Years
December 31, 2017						
Non-derivative financial liabilities						
Bank borrowings	$	4,400,331	486,082	2,506,760	1,407,489	-
Notes and accounts payables (including related parties)		341,963	341,963	-	-	-
Other payables (including related parties)		176,317	176,317	-	-	-
	$	4,918,611	1,004,362	2,506,760	1,407,489	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure of foreign currency risk

The Company's significant exposure to foreign currency risk is as follows:

		December 31, 2018			December 31, 2017		
		Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets							
Monetary items							
USD	$	35,410	30.72	1,087,631	32,703	29.76	973,241
EUR		532	35.20	18,710	430	35.57	15,295
JPY		65,008	0.3782	18,085	68,364	0.26	18,062
CNY		574	4.47	2,565	3	4.57	14
Financial liabilities							
Monetary items							
USD		86	30.72	2,638	37	29.76	1,101
EUR		70	35.20	2,450	14	35.57	498
CNY		1,893	4.47	8,467	122	4.57	558

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group' s functional currency as of December 31, 2018 and 2017 would have increased (decreased) the after-tax net income for the years ended December 31, 2018 and 2017 by $8,907 thousand and $8,337 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2018 and 2017, the foreign exchange gains (losses), including both realized and unrealized, were amounted to $31,493 thousand and $(28,119), respectively.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments at the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year at the reporting date.

If the interest rate increases or decreases by 1% the Company's net income will decrease /increase by $39,787 thousand and $40,598 thousand for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing.

(v) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis were based on the same and other variables considered in the analysis remain the same:

	For the Years Ended December 31			
	2018		2017	
	Other Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Other Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 10%	$ 20,782	-	-	-
Decrease 10%	$ (20,782)	-	-	-

(vi) Fair value of financial instruments

1) Fair value hierarchy

The Company measured its financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Non-current financial assets at FVOCI	$ 207,818	-	-	207,818	207,818
Financial assets measured at amortized cost	$ 2,308,555	-	-	-	-

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost	$ 4,718,567	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Non-current financial assets measured at cost	$ 138,428	-	-	-	-
Loans and receivables	$ 2,295,301	-	-	-	-
Financial liabilities measured at amortized cost	$ 4,829,044	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. Market prices quoted from main exchanges and over-the-counter are the basis of fair value of equity instruments and credit instrument traded in active markets.

If the quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

If the financial instruments held by the Company have active market, the measurements of fair value are categorized as follows:

- The listed redeemable bonds, listed stocks, drafts and bonds are recognized as financial assets and liabilities traded in active markets by the standards and nature. The fair value is measured at the market quoted price.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

(Continued)

If the financial instruments held by the Company have no active market, the measurements of fair value are categorized as follows:

- Equity instruments without quoted price: The fair value is measured at discounted cash flow model. The assumption is discounted investees' expected future cash flows by using the discounting rate which reflects the time value of money and the return of the investment.

3) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2018 and 2017.

4) Reconciliation of Level 3 instruments

	Noncurrent Financial Assets at FVOCI
	Equity Instrument without Quoted Price
Balance on January 1, 2018	$ 193,456
Total gains recognized	
as other comprehensive income	16,309
Receipts from capital reduction	(1,947)
Balance on December 31, 2018	**$ 207,818**

The total gains or losses is listed under "unrealized gain on financial assets at FVOCI". The information of assets held as of December 31, 2018 is as follows:

	For the Year Ended December 31
	2018
Total gains or losses	
Recognized as other comprehensive income (which is listed under "unrealized gain on financial assets at FVOCI")	**$ 16,309**

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is "financial assets measured at fair value through profit or loss – equity investments".

Most of the Company's financial assets in Level 3 have only one significant unobservable input, while its equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

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Quantified information of significant unobservable inputs is as follows:

Item	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Financial assets at FVOCI - equity investments without active market	Dividend discount model	• Average expected future dividend income of 5 years (As of December 31, 2018 and 2017, were \$0~31,752 thousand and \$0~27,023 thousand, respectively.) • Weighted average capital cost (As of December 31, 2018 and 2017, were 5.79% and 5.46%, respectively.) • Discounting rate without market liquidity (As of December 31, 2018 and 2017, were both 15%)	• The estimated fair value would increase, if the 5-year average expected future dividend income is increase.

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company’ s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Inputs	Fluctuation in Inputs	Other Comprehensive Income Favourable	Other Comprehensive Income Unfavourable
December 31, 2018				
Financial assets at FVOCI				
Equity investments without an active market	5.79 %	1%	7,567	(7,193)

The favourable and unfavourable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(z) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Company has assigned the manager of the relating department for assessing, controlling and monitoring the strategic, financial and operating risks. The manager reports risk status to the management and regularly report to the Board of Directors on its activities.

(iii) Credit risk

Credit risk means the potential loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts and other receivable

The exposure of the credit risk is depend on each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country. For the years ended December 31, 2018 and 2017, there were no geographical concentration of credit risk.

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The allowance for bad debts is reflected the losses incurred in the accounts and other receivables, which is mainly comprised of specific loss from significant individual exposure and incurred, but unidentified portfolio loss from group assets. The assessment of portfolio loss is based on the historical statistics of payment.

2) Investment

The exposure to credit risk for the bank deposits and financial instruments is measured and monitored by the Company's finance department. The Company only deals with counterparties with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties. The Company has assessed the counterparties' credit rating when invested in financial assets measured at cost, therefore, does not expect any significant credit risk.

3) Guarantees

As of December 31, 2018 and 2017, please refer to Note 7 and 13 (a)(ii) for the details of financial guarantees of subsidiaries and joint venture provided by the Company.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the EUR, USD, JPY and CNY.

The Company held the accounts receivable denominated in foreign currencies other than the respective functional currencies of the Company's entities. The exchange gain or loss from the exchange rates change can be offsetted by exchange gain or loss from short-term loan denominated in foreign currencies, which would mitigate the exposure of currency risk.

The borrowing interest is denominated by the principal's currency. The borrowing currency are the same as the Company's operating cash flow which mainly are NTD and USD.

Other monetary assets and liabilities denominated in foreign currencies are using the current exchange rates to maintain the net currency risk at the acceptable level.

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2) Interest rate risk

The Company uses the floating interest rates for the long-term and short-term loans which the effective interest rates float with the market change. The Company's financial department is measuring and monitoring the market change.

3) Other market price risk

The Company does not enter into a contract, except for the expected use and sales. The contract is not under the net settlement basis.

(aa) Capital management

The objectives of the Board' s policy are to maintain an optimal capital structure to keep the investors, creditors, the market faith and the future operation. The capital structure consists of the ordinary shares, capital surplus, retained earnings and non-controlling interest. The Board of Directors oversights the rates of return on equity and common stock dividend.

The debt-to-capital ratio on the reporting date are as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 5,415,580	5,399,399
Less: Cash and cash equivalents	(1,195,412)	(1,091,612)
Net debt	4,220,168	4,307,787
Total equity	12,743,897	11,646,040
Total capital	**$ 16,964,065**	**15,953,827**
Debt-to-capital ratio on 31 December	**24.88 %**	**27.00 %**

(7) Related-party transactions:

(a) The ultimate parent company

The company is the ultimate controlling party of the Company and its subsidiaries.

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Company's subsidiaries and related parties during the periods covered in the consolidated financial statements.

Name of Related Party	Relationship with the Company
United Elite Agents Limited (UEA)	Subsidiaries
Atrans Precision Industries Co., Ltd. (Atrans Precision)	Subsidiaries
Sunflower Investment Co., Ltd. (Sunflower Investment)	Subsidiaries
The Hotel National Co., Ltd. (The Hotel National)	Subsidiaries
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)	Subsidiaries
CHINA METAL JAPAN COMPANY LIMITED (CMJ)	Subsidiaries

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Name of Related Party	Relationship with the Company
National Management Co., Ltd. (National Management)	Subsidiaries
PUJEN Land Development Co., Ltd. (PUJEN Land Development)	Subsidiaries
Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)	Subsidiaries
Shangrila Tourism Co., Ltd. (Shangrila Tourism)	Subsidiaries
China Metal International Holdings Inc. (CMI)	Subsidiaries
China Metal International (BVI) Limited (CMI (BVI))	Subsidiaries
CMW (Cayman Islands) Co., Ltd. (CMW (C.I.))	Subsidiaries
CMB (H.K.) Co., Ltd. (CMB (H.K.))	Subsidiaries
Suzhou CMB Machinery Co., Ltd. (Suzhou CMB)	Subsidiaries
CMP (H.K.) Industry Co., Ltd. (CMP (H.K.))	Subsidiaries
Tianjin CMT Industry Co., Ltd. (Tianjin CMT)	Subsidiaries
Suzhou CMS Machinery Co., Ltd. (Suzhou CMS)	Subsidiaries
CMW (Tianjin) Industry Co., Ltd. (CMW (Tianjin))	Subsidiaries
CMI (Wu Han) Precision Machinery Co., Ltd. (CMI (Wu Han))	Subsidiaries
Qingdao Sourcing Specialists Trading Co., Ltd. (Qingdao Sourcing Specialists)	Subsidiaries
FAR HSING (SAMOA) ENTERPRISE CO., LTD. (FAR HSING (SAMOA))	Subsidiaries
Acore Material Technology Co., Ltd. (Acore Material)	Associates of subsidiaries
CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)	Subsidiaries
PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)	Subsidiaries
PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)	Subsidiaries
Qinxin Trade Co., Ltd. (Qinxin Trade)	Subsidiaries
CMAI Holding, Inc. (CMAI Holding)	Subsidiaries
Pilot Drive, LLC. (Pilot)	Subsidiaries
CMAI INDUSTRIES, INC. (CMAI N.A.)	Subsidiaries
The Splendor Hospitality International Co., Ltd. (The Splendor Hospitality International)	Joint ventures
CMAAN Health Co. Ltd. (CMAAN Health)	Joint ventures
Hua-Pu Development Co., Ltd. (Hua-Pu Development)	Joint ventures of subsidiaries
Keng-Hsin Urban Renewal Co. Ltd. (Keng-Hsin Urban Renewal)	Associates of subsidiaries
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Associates
ADVANCISION (CAYMAN) Industries CO., LTD. (ADVANCISION (CAYMAN))	Associates of subsidiaries
Fuzhou Aprec Mechanical and Electrical Co., Ltd. (Fuzhou Aprec)	Subsidiaries of subsidiaries' associates
Advancision Corporation (Advancision)	Subsidiaries of subsidiaries' associates
Beyond Fitness Co., Ltd. (Beyond Fitness)	Associates of subsidiaries

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Name of Related Party	Relationship with the Company
Mr. Ting Fung, Lin	Key management
Chain-Yuan Investment Co., Ltd. (Chain-Yuan Investment)	Other related parties
San Lien Technology Corp. (San Lien Technology)	Other related parties
Kemitek Industrial Corp. (Kemitek Industrial)	Other related parties
CMP PUJEN Foundation for Arts and Culture (Foundation)	Other related parties
Pu Yuan Construction Co., Ltd. (Pu Yuan Construction)	Other related parties
LEESCO Development Co., Ltd. (LEESCO Development)	Other related parties
Rui Hua Investment Co., Ltd. (Rui Hua Investment)	Other related parties
Mr. Ming Shiann, Ho	Other related parties

(c) Significant transactions with related parties

(i) Sales to related parties

The amounts of significant sales transactions between the Company and related parties are as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 116,310	95,993
Joint ventures	234	115
Less: Operating revenue from discontinued operations	-	(7,567)
	$ 116,544	**88,541**

The sales between the Company and related parties approximated the market price.

(ii) Purchases from related parties

The amounts of significant purchases transactions between the Company and related parties are as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	**$ 880**	**9,610**

The purchase price between the Company and related parties approximated the market price, and the payment terms, which was 1~2 months, was no significant difference from non-related sellers.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(iii) Receivables due from related parties

The information of receivables due from related parties is as follows:

Accounts	Categories	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries	$ 33,215	30,586
Accounts receivable	Joint ventures	12	15
Total		**$ 33,227**	**30,601**
Other receivables	Joint ventures	$ -	481
Other receivables	Associates	50	3
Other receivables	Subsidiaries	1,242	1,119
Total		**$ 1,292**	**1,603**

(iv) Payables due to related parties

The information of payables due to related parties is as follows:

Accounts	Categories	December 31, 2018	December 31, 2017
Other payables	Subsidiaries	$ 6,769	7,047
Other payables	Joint ventures	4	30
Other payables	Associates	-	10
Total		**$ 6,773**	**7,087**
Other notes payable	Other related parties	**$ 92**	**1,541**

(v) Advance receipts

The information of advance receipts is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	**$ -**	**675**

(vi) Guarantees and endorsements

The Company guaranteed and endorsed for subsidiaries' and joint ventures' bank loaning. The ending balance of endorsement guarantee was $2,925,000 thousand and $3,415,453 thousand and the actual borrowing amount was $2,251,181 thousand and $2,197,213 thousand, respectively, as of December 31, 2018 and 2017.

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(vii) Non-performing receivables

	Total Claims	
	December 31, 2018	December 31, 2017
Joint ventures	$ 796,845	796,845

	Costs of Claims	
	December 31, 2018	December 31, 2017
Joint ventures	$ 575,000	575,000

(viii) Other transactions

1) The information of office leased by the Company is as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 3,522	4,412
Joint ventures	48	4
Other related parties	2,772	2,321
	$ 6,342	6,737

2) The information of office leased to related parties is as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 248	254
Associates	304	288
	$ 552	542

3) The information of providing management consulting to related parties is as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 6,721	6,413
Joint ventures	5,545	5,874
Associates	-	6
	$ 12,266	12,293

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

4) The information of management consulting service provided by related parties is as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 65,497	63,363
Other related parties	15,810	15,110
	$ 81,307	**78,473**

5) The information of entertainment and travel expense arose from catering and accommodation provided by related parties is as follows:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	$ 418	1,343
Associates	40	-
Joint ventures	96	364
Other related parties	279	183
	$ 833	**1,890**

6) The information of providing processing service by subsidiary is as follow:

	For the Years Ended December 31	
	2018	2017
Subsidiaries	**$ -**	**452**

7) In October 2017, the Company filed the application of building capacity for Taichung development case, and entrusted the subsidiary to sell the land designated for road use to third parties for $104,606 thousand within one year. If the subsidiary purchases another land designated for public use for the application and assumes the loss arose from the passage of time and price, the Company will compensate the loss; where as, the gain will be obtained by the Company.

8) The Company subscribed 8,000 thousand shares issued by the subsidiaries and joint ventures for $80,000 thousand.

9) In March 2018, the Company entrusted the subsidiary to donate the land in Taichung Houlongzi section to the church for the Taichung development case. The Company paid the subsidiary $17,184 thousand for compensation, which is recognized under "other non-current assets".

(d) Key management transactions

The compensation of key management is as follows:

	For the Years Ended December 31 2018	2017
Short-term employee benefits	$ 96,669	47,757
Post-employment benefits	904	1,038
	$ 97,573	**48,795**

(8) Pledged assets

The information of pledged assets' carrying value is as follows:

Pledged Assets	Object	December 31, 2018	December 31, 2017
Land (including other non-current assets)	The credit limits of long-term and short-term bank loans	$ 13,319	13,319
Buildings	〃	3,479	3,611
Investments accounted for using equity method	The credit limits of long-term bank loans	2,068,863	1,795,465
		$ 2,085,661	**1,812,395**

(9) Significant commitments and contingencies

(a) The Company's unrecognized contractual commitments are as follows:

(i) The Company's unrecognized contractual commitments are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment etc.	**$ 99,198**	**7,977**

(ii) The unused standby letters of credit are as follows:

	December 31, 2018	December 31, 2017
Unused standby letters of credit	**$ -**	**39,942**

(iii) The security deposits paid by the Company for land development and leased land and buildings for operating use amounted to $97,284 thousand and $97,092 thousand, as of December 31, 2018 and 2017, respectively.

(iv) The Company and The Presbyterian Church in Taiwan entered into an real estate leasing contract. The contract term was 40 years commenced on the next day of the signing date. For the development of the leasing real estates, the Company agreed to pay development royalty amounted to $126,000 thousand. As of December 31, 2018 and 2017, the accumulated royalties paid amounted to $126,000 thousand, respectively, which was recognized under other non-current assets and was depreciated by the contract term.

(Continued)

(b) Contingencies

(i) Please refer to Note 7 for the Company's lending and guarantees and endorsements for related parties for the years ended December 31, 2018 and 2017.

(ii) The stages of Daguangsan petition for real estate transaction and the regarding tax investigation is as follows:

Litigant	Issue	Current Status
The Company	Filing a petition for the administrative penalty of the value-added tax in the Daguangsan real estate transaction which was approved by National Taxation Bureau of Taipei	National Taxation Bureau of Taipei has approved the additional value-added tax and the regarding penalty amounted to $38,497 thousand, which the Company had paid $25,665 thousand in 2012. The Company was dissatisfied with the verdict from the original authority, which has filed the administrative petition. According to the ruling of the Taipei High Administrative Court, the lawsuit has now been suspended.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of the Company against the former chairman of the Company, Mr. Ming Shiann, Ho. This case was partially dismissed by the Supreme Court on January 12, 2017, and partially remanded. On June 26, 2018, the remanded part was dismissed by the Civil Division of Tainan Branch of Taiwan High Court, and the appeal of The SFIPC was dismissed. However, the SFIPC was dissatisfied with the verdicts and filed an appeal on July 19, 2018.

(b) The SFIPC filed a lawsuit for damage remedy against the Company, the members of directors and supervisors, and the employees of both the Company and its subsidiaries. The case was passed by Taiwan High Court on February 13, 2018, and had been dismissed. The SFIPC was dissatisfied with the verdicts and filed an appeal, which is now being on trial by the Civil Court of the Supreme Court.

(c) Employee benefits, depreciation, and amortization are summarized as follows:

By function / By item	For the Years Ended December 31					
	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	129,362	152,070	281,432	103,492	133,766	237,258
Labor and health insurance	9,730	9,493	19,223	9,689	9,654	19,343
Pension	3,500	4,843	8,343	2,980	13,505	16,485
Remuneration of directors	-	61,589	61,589	-	25,220	25,220
Others	6,984	6,180	13,164	8,416	11,163	19,579
Depreciation	62,074	10,797	72,871	54,329	15,278	69,607
Amortization	1,301	2,676	3,977	1,294	2,080	3,374

For the years ended December 31, 2018 and 2017, the average numbers of Company employees were 343 and 347, respectively, and the numbers of directors who were not employees were both 6.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(d) Discontinued operation:

For the higher efficiency of asset use and operation, the Board of Directors approved the steel product segment to be discontinued in December 2017, and sold the land and factories of the segment. The income and expenses of discontinued operation had been separated from the continuing operation.

Profit and loss, and cash flows from (used in) discontinued operations are summarized as follows:

	For the Years Ended December 31	
	2018	**2017**
Results from operating activities:		
Revenues	$ 23,496	1,165,043
Costs	(21,878)	(1,216,390)
Operating expenses	(6,081)	(45,653)
Other income and expenses	28	665
Operating loss	(4,435)	(96,335)
Non-operating income and expenses	723	(291)
Income tax expense	-	-
Loss	(3,712)	(96,626)
Gain on disposal of non-current assets held for sale		
Gain on disposal of non-current assets held for sale	375,757	-
Tax expense from disposal of non-current assets held for sale	(11,075)	-
Net income(loss)	**$ 360,970**	**(96,626)**
Basic earnings per share	**$ 0.94**	**(0.25)**
Diluted earnings per share	**$ 0.94**	**(0.25)**
Cash flows from discontinued operation:		
Net cash generated from (used in) operating activities	$ 14,189	(50,385)
Net cash generated from (used in) investing activities	616,225	(32,044)
Net cash (used in) generated from financing activities	(146)	109,816
Net cash inflows	**$ 630,268**	**27,387**

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In Thousand of NTD)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance During the Period	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature for Financing (Note 2)	Transaction Amount for Business	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 4)
0	The Company	UEA	Accounts receivable due from related parties	Yes	14,880	-	-	-	2	-	Operation requirements	-		-	3,823,169	5,097,558
1	Tianjin CMT	Suzhou CMB	Accounts receivable due from related parties	Yes	234,500	223,500	223,500	0.75%	2	-	Operation requirements	-		-	346,466	461,954
1	Tianjin CMT	CMW (Tianjin)	Accounts receivable due from related parties	Yes	211,050	201,150	201,150	0.75%	2	-	Operation requirements	-		-	346,466	461,954
2	FAR HSING (SAMOA)	Atrans Precision	Accounts receivable due from related parties	Yes	30,960	30,720	30,720	1.00%	2	-	Operation requirements	-		-	50,618	67,491

Note 1: Balance of loan as of the reporting date was within the credit limits approved by the Board of Directors.

Note 2: 1. For business transactions.

2. For the necessity of short-term financing.

Note 3: The lender's total amount available for lending shall not exceed 30% of its net worth.

Note 4: The lender's total amount available for lending shall not exceed 40% of its net worth.

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

No.	Name of Guarantor/ Endorse	Counter-party of Guarantee and Endorsement: Name	Counter-party of Guarantee and Endorsement: Relationship with the Company (Note 1)	Limitation on Amount of Guarantees and Endorsements for a Specific Enterprise (Note 4)	Highest Balance for Guarantees and Endorsements During the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest financial Statements	Maximum Amount for Guarantees and Endorsements (Note 5)	Parent Company Endorsements/ Guarantees to Third Parties on Behalf of Subsidiary (Note 3)	Subsidiary Endorsements/ Guarantees to Third Parties on Behalf of Parent Company (Note 3)	Endorsements/ Guarantees to Third Parties on Behalf of Companies in Mainland China (Note 3)
0	The Company	Sunflower Investment	1	5,097,558	160,000	110,000	7,500	-	0.86 %	6,371,948	Y	N	N
0	The Company	The Hotel National	1	5,097,558	150,000	100,000	95,000	-	0.78 %	6,371,948	Y	N	N
0	The Company	Shangrila Tourism	1	5,097,558	1,200,000	652,500	418,500	-	5.12 %	6,371,948	Y	N	N
0	The Company	The Splendor Hospitality	2	5,097,558	3,551,818	2,000,000	1,674,500	-	15.69 %	6,371,948	N	N	N
0	The Company	CMAAN Health	2	5,097,558	62,500	62,500	55,681	-	0.49 %	6,371,948	N	N	N
3	CMAI N.A.	Pilot	4	63,845	62,213	58,232	58,232	-	91.21 %	63,845	N	N	N
4	CMI	UEA	3	4,089,633	2,183,344	1,970,035	1,970,035	-	19.27 %	5,112,041	N	N	N

Note 1: 1.The Company held directly or indirectly more than 50% of the shares with voting rights.

2.Due to the joint investment relationship, all of the shareholders of the Group endorse the company in accordance with their investment ratio.

3.The company held directly or indirectly more than 50% of the shares with voting rights.

4.The company held directly or indirectly more than 90% of the shares with voting rights.

Note 2: Balance of guarantees and endorsements as of the reporting date was within the credit limit approved by the Board of Directors.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Note 3: The following three situations are filled in Y: the endorsement of the subsidiary by the Company; the endorsement of the Company by the subsidiary and the endorsement to the company located in Mainland China.

Note 4: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 40%, CMAI N.A.100%, and CMI 40%.

Note 5: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 50%, CMAI N.A.100%, and CMI 50%.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

Name of Holder	Category and Name of Security	Relationship with Issued Company	Account	Ending Balance				Note
				Shares/Units (thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	MEITA Industrial Co., Ltd.	The Company is the legal person	Non-current financial assets at FVOCI	1,351,164	128,063	3.12 %	128,063	
The Company	YUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	261,800	1,473	1.25 %	1,473	
The Company	FUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	247,500	2,868	1.67 %	2,868	
The Company	GUANGYUAN Investment Co., Ltd.	The Company is the legal supervisor	Non-current financial assets at FVOCI	5,000,000	40,308	3.91 %	40,308	
The Company	DEVELOPMENT Venture Capital Co., Ltd.	The Company is the legal person	Non-current financial assets at FVOCI	6,000,000	35,106	4.00 %	35,106	
The Company	Pacific Electric Wire & Cable Co., Ltd.	-	Current financial assets at FVTPL	74,242	-	0.01 %	-	
Sunflower Investment	YungTay Engineening Co., Ltd.	-	Current financial assets at FVTPL	50,000	2,960	0.01 %	2,960	
Sunflower Investment	i1. COM, INC.	-	Non-current financial assets at FVOCI	100,000	-	0.52 %	-	
The Hotel National	Century National Technology Co., Ltd.	-	Non-current financial assets at FVOCI	35,600	-	2.51 %	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of the capital stock: None

(v) Information on the acquisition of real estate exceeding NT$300 million or 20% of the capital stock: None

(vi) Information on the disposal of real estate exceeding of NT$300 million or 20% of the capital stock:

(In Thousands of NTD)

Name of Company	Type of Property	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Amount Actually Receipts	Gain from Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
The Company	Land and factories in Pingzhen	2018.1.9	From 2013.2.5	236,552	611,685 (excluding tax)	Receipt in full	375,133	Gaozang Logistic corp.	Non-related party	The company made the higher operation of the asset after the steel product segment was discontinued.	Appraisal Report	-

(vii) Information regarding related-party transactions for purchases and sales exceeding NT$300 million or 20% of the capital stock:

(In Thousands of NTD)

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Suzhou CMS	CMI	Subsidiaries	Sale	1,425,573	36.37 %	120~180 days	-	-	1,404,386	66.53%	
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Sale	1,573,373	36.41 %	120~180 days	-	-	1,548,974	54.59%	

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of NTD/In USD and CNY)

Name of Company	Counter-party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad debts
					Amount	Action Taken		
CMI	CMB (H.K.)	Parent company	Accounts receivable due from related parties, other 229,523	-	-	-	-	-
CMW (C.I.)	CMW (Tianjin)	Parent company	Accounts receivable due from related parties, other 1,021,366	-	-	-	CNY 11,192,160	-
CMW (C.I.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 1,822,625	-	-	-	-	-
CMP (H.K.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 136,497	-	-	-	-	-
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Accounts receivable due from related parties 1,548,974	1.08	-	-	USD 4,456,921	-
Tianjin CMT	CMI	Subsidiaries	Accounts receivable due from related parties 289,129	-	-	-	-	-
Tianjin CMT	CMW (Tianjin)	Affiliates	Accounts receivable due from related parties, other 201,150	-	-	-	-	-
Tianjin CMT	Suzhou CMB	Affiliates	Accounts receivable due from related parties, other 223,500	-	-	-	-	-
Suzhou CMS	CMI	Subsidiaries	Accounts receivable due from related parties 1,404,386	1.31	-	-	CNY 37,410,374 / USD 381,941	-
Suzhou CMB	CMB(H.K)	Subsidiaries	Accounts receivable due from related parties 112,863	1.40	-	-	-	-

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of NTD/In USD and CNY)

Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value			
The Company	UEA	British Virgin Islands	Investing in CMI	865,286	865,286	667,820	100.00 %	6,642,833	835,414	835,414	Subsidiaries
The Company	Sunflower Investment	Taiwan	Investing	99,000	99,000	67,006,291	99.00 %	961,699	154,308	152,764	Subsidiaries
The Company	Atrans Precision	Taiwan	Vehicle parts processing	236,780	236,780	25,149,502	70.47 %	377,287	(34,388)	(24,233)	Subsidiaries
The Company	CMJ	Japan	Cast iron product retailing	4,887	4,887	500	83.33 %	51,501	28,939	24,115	Subsidiaries
The Company	CMAI	Hong Kong	Vehicle parts retailing	71,644	71,644	2,820,000	94.00 %	208,407	24,181	22,730	Subsidiaries
The Company	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	30	3,000	3,000	30.00 %	47,496	124,558	37,367	Subsidiaries
The Company	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	2,003,067	2,003,067	158,877,643	56.65 %	4,314,685	1,066,366	604,509	Subsidiaries
The Company	Amida Trustlink Assets	Taiwan	Real estate developing, leasing and financial claims acquiring from financial institutions	44,576	44,576	16,763,726	35.21 %	(21,760)	(626)	-	Investees accounted for using equity method
The Company	The Hotel National	Taiwan	International tourist hotel services and other hotel business approved by the Ministry of Transportation and Communications	1,304,549	1,304,549	31,200,000	100.00 %	831,434	(37,609)	(39,500)	Subsidiaries
The Company	National Management	Taiwan	Management and consulting services	10,000	10,000	1,000,000	100.00 %	16,995	2,109	2,109	Subsidiaries
The Company	The Splendor Hospitality	Taiwan	International tourist hotel services	975,000	975,000	97,500,000	50.00 %	354,827	(19,289)	(24,381)	Joint ventures accounted for using equity method
The Company	Shangrila Tourism	Taiwan	Amusement park and hotel services	359,470	359,470	18,131,840	80.00 %	220,113	(20,640)	(15,323)	Subsidiaries
The Company	CMAAN Health	Taiwan	Management and consulting services	50,000	50,000	5,000,000	50.00 %	45,290	1,679	383	Joint ventures accounted for using equity method
Sunflower Investment	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	280,768	263,324	42,269,213	15.07 %	1,112,671	1,066,366	Exempt from disclosure	Subsidiaries of the Company
Sunflower Investment	Atrans Precision	Taiwan	Vehicle parts processing	76,878	-	4,677,481	13.11 %	74,656	(34,388)	Exempt from disclosure	Subsidiaries of the Company

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value			
Sunflower Investment	Amida Trustlink Assets	Taiwan	Real estate developing, leasing and financial claims acquiring from financial institutions	-	-	5,951,619	12.50 %	(7,726)	(626)	Exempt from disclosure	Investees accounted for using equity method
Sunflower Investment	ADVANCISION (CAYMAN)	Cayman Islands	Investing and cast iron product retailing	29,154	29,154	1,871,288	4.46 %	32,453	(60,865)	Exempt from disclosure	Investee accounted for using equity method
UEA	CMI	Cayman Islands	Investing in CMI (BVI) and cast iron product retailing	USD 136,536,250	USD 135,345,201	823,281,475	82.55 %	USD 292,408,539	USD 36,153,933	Exempt from disclosure	Subsidiaries of UEA
CMI	CMI(BVI) (Note 1)	British Virgin Islands	Investing in CMP (H.K.)	USD 280,426	USD 280,426	161	100.00 %	CNY 979,757,261	CNY 114,597,676	Exempt from disclosure	Subsidiaries of CMI
CMI	CMW (C.I.)	Cayman Islands	Investing in CMW (Tianjin)	USD 75,156,500	USD 75,156,500	50,000,000	100.00 %	CNY 1,540,172,688	CNY 143,251,995	Exempt from disclosure	Subsidiaries of CMI
CMI	CMB (H.K.)	Hong Kong	Investing in Suzhou CMS	USD 85,820,000	USD 85,820,000	82,000,000	100.00 %	CNY 581,131,827	CNY 21,091,546	Exempt from disclosure	Subsidiaries of CMI
CMI(BVI) (Note 2)	CMP (H.K.)	Hong Kong	Investing in Tianjin CMT and Suzhou CMS	USD 21,000,000	USD 21,000,000	21,000,000	100.00 %	CNY 979,757,261	CNY 114,597,676	Exempt from disclosure	Subsidiaries of CMI(BVI)
CMAI	CMAI Holding	USA	Investing	USD 8,328,644	USD 8,328,644	8,328,644	100.00 %	USD 2,728,492	USD 40,125	Exempt from disclosure	Subsidiaries of CMAI
CMAI Holding	Pilot	USA	Assets leasing	USD 8,328,644	USD 8,328,644	8,328,644	100.00 %	USD 2,728,492	USD 40,125	Exempt from disclosure	Subsidiaries of CMAI (Holding)
Pilot	CMAI N.A. (Note 2)	USA	Vehicle parts retailing	USD 7,792,972	USD 7,792,972	7,792,972	100.00 %	USD 2,078,297	USD (13,538)	Exempt from disclosure	Subsidiaries of Pilot
Atrans Precision	FAR HSING (SAMOA)	SAMOA	Investing	USD 4,922,055	USD 4,922,055	4,922,055	100.00 %	168,729	(12,932)	Exempt from disclosure	Subsidiaries of Atrans Precision
Atrans Precision	Acore Material	Taiwan	Mechanical equipment, electronic parts and other equipment manufacturing	31,000	31,000	775,000	21.23 %	-	(34,554)	Exempt from disclosure	Associates of Atrans Precision
FAR HSING (SAMOA)	ADVANCISION (CAYMAN)	Taiwan	Investing and cast iron product retailing	USD 4,959,029	USD 4,959,029	9,068,414	21.59 %	USD 4,372,906	USD (2,018,695)	Exempt from disclosure	Investees of FAR HSING accounted for using equity method
PUJEN Land Development	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	20	2,000	2,000	20.00 %	31,664	124,558	Exempt from disclosure	Subsidiaries of the Company
PUJEN Land Development	Keng-Hsin Urban Renewal	Taiwan	Residents, commercial buildings and factories leasing and developing	250,928	287,444	32,864,188	30.00 %	320,057	(15,496)	Exempt from disclosure	Investees of PUJEN Land Development accounted for using equity method
PUJEN Land Development	CHINGENG Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	82,500	82,500	8,250,000	50.00 %	79,489	(108)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUJEN CHENGMEI Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	59,500	59,500	5,950,000	70.00 %	47,481	(403)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUCHIA Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	35,000	35,000	3,500,000	50.00 %	28,029	(11,087)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	Shangrila Tourism	Taiwan	Amusement park and hotel services	89,867	89,867	4,532,960	20.00 %	55,028	(20,640)	Exempt from disclosure	Subsidiaries of the Company
PUJEN Land Development	Hua-Pu Development	Taiwan	Residents, commercial buildings and factories leasing and developing	5,000	5,000	500,000	50.00 %	5,120	99	Exempt from disclosure	Joint ventures of PUJEN Land Development accounted for using equity method
PUJEN Land Development	Beyond Fitness	Taiwan	Sport training and other consulting service	3,000	3,000	300,000	37.50 %	1,561	1,050	Exempt from disclosure	Investees of PUJEN Land Development accounted for using equity method

Note 1: The former name was Capital Charm Associates Limited (CCA).

Note 2: The former name was CMAI INDUSTRIES LLC. (CMAI N.A.).

(Continued)

CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of NTD, CNY, USD and JPY)

Name of Investee	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses) (Notes 2,3)	Book Value (Note 3)	Accumulated Remittance of Earnings in Current Period (Note 5)
					Outflow	Inflow						
Tianjin CMT	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	921,600 (USD 30,000)	2	388,238	-	-	388,238	(4,542) (CNY (996))	82.55%	(3,748) (CNY (822))	1,154,950 (CNY 258,378)	82,542
Suzhou CMS	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	737,280 (USD 24,000)	2	423,406	-	-	423,406	516,073 (CNY113,174)	82.55%	426,018 (CNY93,425)	3,084,658 (CNY 690,080)	14,601
Suzhou CMB	Cast iron product designing, manufacturing and retailing	2,519,040 (USD 82,000)	2	-	-	-	-	117,365 (CNY25,738)	82.55%	96,886 (CNY21,247)	2,753,600 (CNY 616,018)	-
CMW (Tianjin)	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	983,040 (USD 32,000)	2	-	-	-	-	475,603 (CNY104,299)	82.55%	362,611 (CNY86,099)	4,076,908 (CNY912,060)	-
CMI (Wu Han)	Vehicle parts, farm wagon parts, industrial wagon parts household appliances parts and E&M as-casting and molds developing, manufacturing, selling and after sales services	114,708 (USD 3,734)	2	-	-	-	-	(24) (CNY(5))	82.55%	(18) (CNY(4))	115,303 (CNY25,795)	-
Qinxin Trade	Vehicle parts retailing	4,301 (USD 140)	2	-	-	-	-	30 (USD1)	94.00%	30 (USD1)	4,362 (USD 142)	-
Qingdao Sourcing Specialists	Cast iron product retailing	2,754 (JPY 9,898)	2	-	-	-	-	14,626 (JPY53,575)	83.33%	12,188 (JPY 44,644)	21,006 (JPY75,506)	-

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 4)
811,644	6,408,837 (USD 208,621)	-

Note 1: Method of investment is classified into three types:
1. Directly invested in Mainland China.
2. Indirectly invested in Mainland China through the third region.
3. Other methods.

Note 2: The recognition basis of the investment income and losses is the financial report audited by an international accounting firm which is in partnership with the accounting firm in the R.O.C.

Note 3: The amount stated is the investment income and losses and the book value of the investment at the end of the period which is recognized by the subsidiaries established through the investment in the third region.

Note 4: The Company complies with the amended Permit 9704604680 ‘Investment or technical cooperation review principal in China’ which is numbered 9704604680, which obtained the certification documents of the operational scope of the operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: At the end of 2018, the company had obtained a surplus of $1,974,381 thousand (USD63,955 thousand) from the investment companies set up in the third region. The surplus was remitted to the companies by the subsidiaries which was invested indirectly in China and then was remitted to Taiwan. It was impossible to distinguish the remittance from the company in China.

Note 6: The amount in the table is translated by the spot rate on the financial reporting date.

(iii) Significant transactions: None

(14) Segment information:

The segment information please refer to the consolidated financial statement for the year ended December 31, 2018.

CHINA METAL PRODUCTS CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 1,400
Cash in transit		11,280
Cash in banks	Checking accounts deposits	1,483
	Demand deposits	175,362
	Foreign currency deposits USD1,130 thousands	34,717
	EUR74 thousands	2,598
	JPY11,123 thousands	3,094
	CNY195 thousands	870
	Foreign currency time deposits USD31,400 thousands	964,608
		$ 1,195,412

Statement of Inventories

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$ 8,507	6,782	NRV
Materials	6,920	5,765	〃
Work in process	34,131	34,131	〃
Semi-finished goods	29,025	25,901	〃
Finished goods (including inventories in transit)	32,761	28,763	〃
Merchandise	7,936	7,936	〃
Less: Allowance for inventory write-down	(10,002)	-	
Total	$ 109,278	109,278	

CHINA METAL PRODUCTS CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method

December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of Investee	Beginning Balance		Addition		Deduction		Share of Profit (Loss) of Investments Accounted for Using Equity Method	Exchange Difference on Translation of Foreign Financial Statements	Changes in Equity of Investments Accounted for Using Equity Method	Share of Other Comprehensive Income of Subsidiaries, Associates and Joint Ventures	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	Percentage of Ownership	Amount	Unit price	Total amount	
Long-term investments																	
Accounted for using equity method:																	
United Elite Agents Limited (Note 1)	667,820	$ 6,345,265	-	-	-	223,500	835,414	(263,389)	(35,910)	(15,047)	-	667,820	100.00	6,642,833	9,915.72	6,621,920	None
Sunflower Investment Co., Ltd.	67,006,291	793,095	-	-	-	-	152,764	(549)	17,711	(120)	(1,202)	67,006,291	99.00	961,699	14.35	961,699	〃
Atrans Precision Industries Co., Ltd.	25,149,502	400,958	-	-	-	-	(24,233)	842	403	(683)	-	25,149,502	70.47	377,287	14.86	373,732	〃
CHINA METAL JAPAN COMPANY LIMITED (Note 1)	500	28,629	-	-	-	2,234	24,115	991	-	-	-	500	83.33	51,501	103,002.12	51,501	〃
Amida Trustlink Assets Management Co., Ltd.	16,763,726	(21,760)	-	-	-	-	-	-	-	-	-	16,763,726	35.21	(21,760)	0.65	10,955	〃
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (Note 1)	2,820,000	185,273	-	-	-	5,710	22,730	6,114	-	-	-	2,820,000	94.00	208,407	78.62	221,710	〃
Pu Sheng Construction Co., Ltd. (Note 1)	3,000	18,613	-	-	-	8,850	37,367	-	366	-	-	3,000	30.00	47,496	15,831.83	47,495	〃
PUJEN Land Development Co.,Ltd. (Note 1)	158,877,643	3,744,505	-	-	-	95,326	604,509	-	61,216	(219)	-	158,877,643	56.65	4,314,685	26.34	4,184,386	Note3
The Hotel National Co., Ltd.	31,200,000	871,311	-	-	-	-	(39,500)	-	-	(21)	(356)	31,200,000	100.00	831,434	(2.88)	(89,798)	None
The Splendor Hospitality International Co., Ltd. (Note 2)	97,500,000	318,916	-	60,292	-	-	(24,381)	-	-	-	-	97,500,000	50.00	354,827	3.07	299,344	〃
National Management Co., Ltd. (Note 1)	1,000,000	19,886	-	-	-	5,000	2,109	-	-	-	-	1,000,000	100.00	16,995	16.99	16,994	〃
Shangrila Tourism Co., Ltd.	18,131,840	235,341	-	-	-	-	(15,323)	-	-	95	-	18,131,840	80.00	220,113	3.00	54,481	〃
CMAAN Health Co., Ltd. (CMAAN Health) (Note 2)	5,000,000	44,467	-	440	-	-	383	-	-	-	-	5,000,000	50.00	45,290	9.06	45,290	〃
Total		**$ 12,984,499**		**60,732**		**340,620**	**1,575,954**	**(255,991)**	**43,786**	**(15,995)**	**(1,558)**			**14,050,807**			

Note 1: The decreasing amounts of this period are the cash dividend amounted to $337,650 thousand and proceeds from capital reduction amounted to $2,970 thousand.

Note 2: The increasing amount of this period is the additional guarantee provision amounted to $60,732 thousand.

Note 3: 76,180,771 shares of the company were pledged as collateral for obtaining credit limits.

CHINA METAL PRODUCTS CO., LTD.

Statement of Property, Plant and Equipment

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Please refer to Note 6(i), for the regarding information.

Statement of Short-term Borrowings

December 31, 2018

Loan Type	Lender	Amount	Financing Period	Interest Rates	Credit Line	Mortgage Guarantee	Note
Unsecured	Taiwan Shin Kong Commercial Bank Co., Ltd. Dunnan Branch	$ 200,000	2018.12.03~2019.01.03	1.1%	-	-	
Unsecured	The Export-Import Bank of the Republic of China	150,000	2018.01.15~2019.03.05	0.91%	-	-	
		$ 350,000					

Statement of Short-term Bills Payable

Item	Guarantee or Acceptance Institution	Financing Period	Interest Rates	Amount: Total Amount	Amount: Unamortized Discount	Amount: Carrying Amount	Note
Short-term Bills Payable	International Bills Finance Corporation	2019.01.11	1.088%	$ 100,000	(30)	99,970	
	MEGA BILLS FINANCE CO., LTD.	2019.03.20	1.144%	100,000	(245)	99,755	
	DAH CHUNG BILLS FINANCE CORP.	2019.01.18	1.148%	100,000	(53)	99,947	
				$ 300,000	(328)	299,672	

CHINA METAL PRODUCTS CO., LTD.

Statement of Long-term Borrowings

December 31, 2018

(In Thousands of New Taiwan Dollars)

				Amount		
Creditor	Description	Financing Period	Interest Rates	Due within one year	Due over one year	Collateral
Taiwan Shin Kong Commercial Bank Co., Ltd.	Secured Borrowings	2018.07.12~2021.07.12	1.10%	-	250,000	Note 1
Mega International Commercial Bank	Secured Borrowings	2018.08.17~2020.08.16	1.25%	-	180,000	Note 2
Mega International Commercial Bank	Secured Borrowings	2018.12.10~2020.12.10	1.30%	-	250,000	Note 2
BANK SINOPAC CO. LTD.	Secured Borrowings	2018.05.31~2021.05.31	1.00%	-	1,300,000	Notes 2 and 3
Taishin International Bank	Unsecured Borrowings	2018.06.30~2020.06.30	1.28%	-	300,000	-
EnTie Commercial Bank	Unsecured Borrowings	2018.08.18~2020.08.18	1.25%	-	300,000	-
BANK OF TAIWAN	Unsecured Borrowings	2018.10.22~2020.10.22	1.25%	-	100,000	-
KGI Bank	Unsecured Borrowings	2018.12.13~2020.12.13	1.24%	-	250,000	-
JIH SUN INTERNATIONAL BANK	Unsecured Borrowings	2018.10.19~2020.10.19	1.25%	-	199,000	-
O-Bank Co., Ltd.	Unsecured Borrowings	2018.06.05~2020.06.04	1.26%	-	200,000	-
LANK BANK OF TAIWAN	Unsecured Borrowings	2018.12.21~2020.12.21	1.25%	-	150,000	-
YUANTA COMMERCIAL BANK	Unsecured Borrowings	2018.10.25~2020.10.25	1.25%	-	150,000	-
Less: Issuance Cost				-	(202)	
				$ -	3,628,798	

Note 1: The collateral is the shares of long-term investments accounted for using equity method.

Note 2: The collateral is the land and buildings in Taipei.

Note 3: The collateral is the land and buildings in Hsinchu.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Revenue

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Manufacturing:	
Cast iron products	$ 1,045,743
Department Store:	
Rental revenue	38,471
Counter commissions	261,460
Subtotal	299,931
Other operating revenue	37,888
Net operating revenue	**$ 1,383,562**

Note: The above amount had been deducted the allowance of sales return and discount amounted to $41,666 thousand.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Costs

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw Material	
Balance on January 1	$ 11,836
Add: Purchases	231,621
Gain on physical inventory count	3,908
Less: Balance on December 31	(8,507)
Transfer to expenses	(209)
Raw material used in this period	238,649
Material	
Balance on January 1	12,455
Add: Purchases	146,132
Gain on physical inventory count	162
Less: Balance on December 31	(6,920)
Sales	(77)
Transfer to expenses	(53,905)
Material used in this period	97,847
Direct labor	75,961
Manufacturing overhead	473,518
Manufacturing costs	885,975
Add: Balance of work in process on January 1	12,909
Less: Balance of work in process on December 31	(34,131)
Add: Balance of semi-finished goods on January 1	35,475
Purchases	28,141
Less: Loss on physical inventory count of semi-finished goods	(3,150)
Balance of semi-finished goods on December 31	(29,025)
Transfer to expenses	(24,173)
Cost of finished goods	872,021
Add: Balance on January 1	15,879
Purchases	31
Less: Loss on physical inventory count of finished goods	(391)
Balance on December 31	(32,761)
Transfer to expenses	(2,263)
Cost of goods sold－Finished goods	852,516
Balance of merchandise on January 1	2,891
Add: Purchases	14,202
Less: Balance of merchandise on December 31	(7,936)
Transfer to expenses	(1,053)
Transfer to fixed assets	(440)
Cost of goods sold－Merchandise	7,664
Add: Raw material and mold cost	1,049
Less: Loss from inventory write-down and gain from reversal of write-down	(7,671)
Gain on physical inventory count	(529)
Income from sale of scraps and others	(792)
Operating costs	**$ 852,237**

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Expenses

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses
Salary expense	$ 7,687	175,695	-
Rental expense	374	220,137	-
Freight charges	8,103	115	-
Export expense	14,668	-	-
Administrating expense	-	102,512	-
Other (Each of the items was less than 5% of the total account balance)	6,848	118,440	-
	$ 37,680	**616,899**	**-**